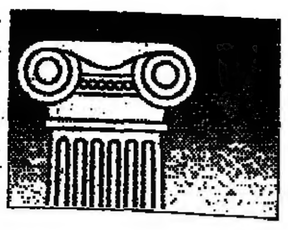


Greek economy
New government, old problems
Page 14

Inward investment
Is the UK losing its attractions?
Page 15

A ray of hope
Italian industry and technology
Survey, pages 25-29

FT Exporter
Mickey Kantor warns Europe
Survey, Section III

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY OCTOBER 13 1993

UK seeks to draw companies with opt-out of EC rules

The UK government made a naked pitch for multinationals in Europe to relocate to the UK in order to evade EC social legislation.

The call came as Britain won a six-year opt-out from EC legislation to protect young people at work, agreed yesterday in Luxembourg. But it failed to prevent the 11 from deciding to go ahead with plans for EC-wide elected works councils in transnational companies, under the social chapter of the Maastricht treaty. Page 2

Yeltsin apologises to Japan: Russian president Boris Yeltsin moved to patch up relations with Japan with a spontaneous apology on the first day of his visit to the country over 600,000 prisoners of war and an acknowledgment of Japan's claim to four islands annexed at the end of the war. Page 16; One day may decide all Russia's future, Page 3

UK minister blames officials over Iraq: A UK cabinet minister accepted he had erred in approving exports to Iraq that were used to boost the country's military capability before the invasion of Kuwait. But Mr William Waldegrave blamed Whitehall officials for not passing on key intelligence that might have affected the approval. Page 16

Nippon Steel, the world's largest steelmaker, is to ask its 37,000 staff to take two extra days holiday a month on lower pay because of declining demand. The move is likely to add to the risk of labour tension in Japan. Page 16

News Corporation, the Australian-based media, film and publishing group owned by Rupert Murdoch's, plans to create a new class of shares with "super" voting rights, to be issued on a one-for-one basis to existing shareholders. Page 17; Lex, Page 16

Wal-Mart Stores, the US discount store giant, was told by an Arkansas court that it had broken state law by selling a range of pharmaceutical products below cost. The ruling could have ramifications for US retailing by encouraging legal suits against store groups which price aggressively to win market share. Page 17

Vin & Sprit, the Swedish wine and spirits company, announced that Seagram, the North American drinks group, would take over distribution of Absolut vodka, the Swedish-owned premium brand, in the US. Page 17; Lex, Page 16

Americans win Nobel economics prize: The Nobel Economics Prize was awarded to two American economic historians, Robert Fogel of the University of Chicago and Douglass North of Washington University in St Louis, for pioneering work on the causes of economic and institutional change. Page 5

Argentina to update fighter bombers: Argentina has been in talks with a US subsidiary of Smiths Industries of the UK to modernise second-hand fighter bombers its air force is buying from the US to replace those shot down in the 1982 Falklands conflict. Page 5

Allied Signal, the US high technology group, and BASF's North American arm, which had combined 1992 sales of $1bn, are to combine their nylon carpet fibres and textile nylon businesses into an equally owned joint venture. Page 17

First woman to lead Irish political party:

Ms Mary Harney (left) became the first woman leader of a political party in the Irish Republic when she was elected to head Ireland's Progressive Democrat party. A reforming politician, Ms Harney has campaigned for the liberalising of Ireland's conservative social legislation since she was elected to the Dáil (parliament) in 1981. Page 3

Detroit police jailed: Two white former Detroit police officers were sentenced to lengthy prison terms for fatally beating a black motorist.

Compagnie Générale des Eaux, the French construction and communications group, reported a year on year 8.7 per cent rise in net profits to FFr1.98bn ($340m) for the first half. The group plans to raise FFr3bn-FFr4bn by a rights issue. Page 18

French public sector strike: A one-day strike in protest at pay restraint, job cuts and employment worries caused widespread disruption in France's public sector, affecting rail, air, postal and telecommunications services. Page 3

STOCK MARKET INDICES

FT-SE 100:	3,094.7	(-7.5)
Yield	3.79	
FT-SE Eurotrack 100	1,315.91	(-4.05)
FT-A All-Share	1,531.85	(-0.2%)
Nikkei	20,137.31	(-241.33)
New York: lunchtime		
Dow Jones Ind Ave	3,595.92	(+2.51)
S&P Composite	461.79	(+0.91)

US LUNCHTIME RATES

Federal Funds:	3 3/16
3-mo Treas Bills: Yld	3.034%
Long Bond	104 13/16
Yield	5.9%

LONDON MONEY

3-mo Interbank	5 27/32	(5 7/8)
Liffe long gilt future:	Dec 114 13/32	(Dec 114 9/32)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$17.375	(17.34)

Gold

New York Comex (Dec)	$369.2	(361.7)
London	$361.15	(360.25)

STERLING

New York lunchtime:		
$	1.534	
London:		
$	1.532	(1.531)
DM	2.445	(2.455)
FFr	8.5875	(8.6275)
SFr	2.145	(2.155)
Y	162.25	(162.75)
£ Index	80.8	(80.8)

DOLLAR

New York lunchtime:		
DM	1.593	
FFr	5.5955	
SFr	1.3978	
Y	105.95	
London:		
DM	1.596	(1.604)
FFr	5.605	(5.635)
SFr	1.4005	(1.408)
Y	105.95	(106.25)
$ Index	64.5	(64.7)

Tokyo close Y 105.79

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Decision clears the way for treaty to become European law from November

German court gives approval to Maastricht

By Quentin Peel in Bonn and Lionel Barber in Brussels

THE GERMAN federal constitutional court yesterday cleared away the last legal obstacle to the ratification of the Maastricht treaty on European union.

The court's ruling was greeted with relief in European capitals, allaying fears that the German judicial authorities might impose conditions incompatible with the treaty which is set to become European law from November 1.

The court in Karlsruhe rejected the challenges to the treaty as either inadmissible or unsubstantiated, in a fundamental decision defining Germany's future attitude to European integration.

Mr Jacques Delors, president of the European Commission, said ratification of the Maastricht treaty would end a long period of uncertainty for the EC. But he warned: "We cannot forget that the preoccupation of Europe today remains the recession and the growth in unemployment."

Mr Delors avoided any note of triumphalism, a reflection of how divisive the ratification battles have been in Denmark, France, the UK and, latterly, Germany since the treaty was signed in December 1991.

PAGE 2
- Court ruling a win for all
- UK and the social chapter

- Editorial Comment Page 15
- Lex Page 16

"If we continue like this, failing to recognise the benefits of a European construction, losing our ideals and the will to achieve them ... we will be marginalised," Mr Delors, one of Maastricht's architects, said in an interview on German television.

"We must stop splitting hairs, being morose ... we must resume moving forward," he said.

Within hours, the German ratification law had been signed by President Richard von Weizsäcker, and was dispatched last night by diplomatic courier to be deposited in Rome.

The decision was welcomed by Chancellor Helmut Kohl, who had staked his political reputation on the treaty and the integration process. He said it was now urgent to proceed with the programme set out in the treaty.

Reuter

German foreign minister Klaus Kinkel (left) and finance minister Theo Waigel in good spirits as they wait for the decision of the Federal Constitutional Court on challenges to the Maastricht treaty

Belgium, president of the EC, announced that the planned special summit on October 29 would go ahead. Mr Jean-Luc Dehaene, Belgian prime minister, said the meeting would put into force the treaty's provisions covering the second phase of European economic and monetary union; common security and foreign policy; and co-operation on crime and justice matters.

EC leaders will try to reach a summit deal on the site of the European Monetary Institute, the precursor of the European Central Bank, as well as other sites such as the European environmental agency and Europol. Germany remains the leading candidate for the EMI, with Amsterdam staging a late bid.

The eight German judges sitting in the court's second chamber decided that the process of European union did not conflict with the principles of democracy enshrined in the German constitution, thanks to national democratic controls implicit in the Maastricht treaty.

Although they called for the "democratic basis of European union to be expanded step by step to keep pace with integration," they concluded that the German Bundestag must retain powers "of substantial weight" in relation to the European process.

The judges also expressed their confidence in the control by both government and parliament of further moves towards integration – including the final phase of economic and monetary union.

"With ratification of the union treaty, Germany is not subordinating itself to an unclear, automatic and uncontrollable mechanism leading to currency union," they said in a summary of the judgment. The German parliament has demanded the right to debate and decide on the preconditions for monetary union before a final move to a single currency.

US envoy to extend stay in Mogadishu

By Leslie Crawford in Mogadishu

Talks raise hopes of breaking impasse between UN and Aideed

MR Robert Oakley, the US special envoy to Somalia, is to extend his stay in Mogadishu after an encouraging two days of talks aimed at breaking the impasse between UN peacekeepers and Gen Mohammed Farah Aideed, Somalia's rebel warlord.

"Mr Oakley will probably remain in Somalia until Thursday due to positive signs emerging from his meetings," Mr Stephen McIlvaine, the US chargé d'affaires in Mogadishu, said.

Confusion remained over what Mr Oakley hoped to achieve. Statements from Washington did not clarify whether the US wanted Gen Aideed behind bars for the killing of UN peacekeepers or whether they wanted to make a deal with the fugitive general to end his guerrilla war in Mogadishu, in which 70 UN soldiers have died.

"Anything Mr Oakley said could be misinterpreted," Mr McIlvaine said. "But he is not dealing with Aideed and he is not competing with the Unosom [the UN Operation in Somalia]."

Mr Oakley's meetings have been shrouded in secrecy, but he is believed to have met members of Gen Aideed's Haber Gedir clan. Mr Oakley, a former ambassador to Somalia, is said to be respected by the Haber Gedir.

He has also consulted the UN's top man in Somalia, Admiral Jonathan Howe, and the Italian ambassador, Mr Mario Scialoja. The latter said he was "in perfect agreement" with Mr Oakley's mission, but refused to spell out what it was.

Mr Farouk Malawi, the UN spokesman in Mogadishu, also sought to play down policy differences between Washington and the United Nations. "There is co-ordination and full understanding of Mr Oakley's mission," he said yesterday.

Nevertheless, Mr Oakley must be under orders to secure the freedom of the US helicopter pilot seized by Gen Aideed's militias during last week's bloody gun battle in which 15 US soldiers and more than 200 Somalis were killed. A Nigerian peacekeeper is also being held hostage.

Mogadishu's war-weary residents have greeted the intense diplomatic activity and Gen Aideed's offer of a ceasefire on Sunday with great relief. "I need peace, bread and a job," said Mr Ahmed Mohammed, who worked for a British hydro-engineering company before the civil war. He now scrapes a living selling his services as an interpreter.

Even this brief interlude without fighting has allowed a semblance of normality to return. Children's voices could be heard across school playgrounds yesterday afternoon. Traffic jams piled up outside the port, where lorries waited to load rice, maize and cooking oil for distribution around town. Pick-up trucks, which once carried militias and mounted guns, were ferrying passengers.

"Of course we know that the ceasefire is temporary, that it could blow up again any minute," a UN official said. "But morale has definitely picked up since Oakley's arrival. Both on the UN and the Somali side."

But Mr Oakley's mission is being interpreted by Gen Aideed's rivals as a policy of appeasement towards the man

Continued on Page 16

UAP gets control of Colonia after deal with Groupe Suez

By Alice Rawsthorn in Paris

UNION des Assurances de Paris and Groupe Suez, two of the most powerful French financial companies, ended their four-year-long battle for control of Colonia, the German insurer, by securing a deal yesterday.

Under the terms of the agreement, UAP, France's largest insurance group and a prime candidate for privatisation, will take control of Colonia by buying a majority stake in Vinci, the holding company that owns the international activities of Victoire, a French insurer in which Suez has a majority stake.

The deal marks the end of years of wrangling as Mr Jean Peyrelevade, the influential chairman of UAP who is tipped as the next head of the Crédit Lyonnais banking group, has manoeuvred to win control of Colonia and thereby fulfil his ambition of taking UAP into the vast German insurance market.

Aachener & Münchener Beteiligungs, Germany's second largest insurance group, is to take its holding in Volksfürsorge, a Hamburg-based insurer, from just under 50 per cent to 75 per cent. It is buying a stake of 25 per cent plus one share from BGAG, a Frankfurt-based trade union-owned holding company. No price was announced but Volksfürsorge has a market capitalisation of DM2.6bn ($4.17bn) so the deal is likely to be worth well in excess of DM600m.

The drama of the negotiations has been heightened by the personal tension between Mr Peyrelevade, who was chairman of Suez during the late 1980s, and his former subordinate, Mr Gérard Worms. UAP and Suez late last year almost agreed a deal only to fall out over price.

Under yesterday's deal, UAP has valued the 59 per cent holding in Vinci – which owns a controlling stake in Nieuw Rotterdam, the Dutch insurer, as well as 55 per cent of Colonia – at FFr11.4bn ($2.02bn). As payment, it will transfer to Suez its 34 per cent minority stake in Victoire, valued at FFr11bn.

Victoire will cede its remaining 14.6 per cent stake in Vinci to UAP, in return for a 5 per cent stake in the French insurer.

UAP, which already owns 5 per cent of Suez, also has pre-emptive rights to buy the 21.2 per cent of Vinci owned by the Oppenheim group for DM1.2bn ($748m). UAP and Suez will keep their 5 per cent cross-shareholdings for three years. Suez also announced interim profits of FFr516m, against FFr526m in the first half of 1992, and confirmed that Mr Patrick Ponsolle was resigning as chief executive.

Lex, Page 16

German industry rejects pay claim

By Christopher Parkes in Frankfurt

UNION CALLS for pay rises of up to 6 per cent for west German engineering workers next year and for a moratorium on job cuts were rejected by employers yesterday as "poison" for business.

Gesamtmetall, the industry association, which will start negotiations with the IG Metall union next month, said such a settlement would have to be paid for with tens of thousands of jobs.

Mr Klaus Zwickel, the new IG Metall president, told a news conference the claim was based on next year's expected inflation rate of between 3.5 and 4 per cent and productivity increases of at least 2 per cent.

Engineering and metal employees had already paid the price of recession with "alarming job losses and severe cuts in real earnings", he said. Real income rises would increase spending power and demand, he argued.

The unveiling of the IG Metall claim marks the formal opening of what promises to be a tense but relatively strife-free pay round in all sectors of German industry.

IG Metall, with about 3.6m members, is the country's most powerful union and traditionally sets the pattern for other industry awards. While Mr Zwickel's statement was peppered with the ritual, veiled hints of possible strife, the overall tone was moderate.

It indicated guarded readiness to negotiate on more flexible working times and practices, and appeared to leave the way open for a long-term deal such as last year's 21-month settlement which expires at the end of December.

Gesamtmetall's sharp response reflected local economists' opinions that the employers hold the upper hand. According to independent analyses, west German unemployment is rising by 27 per cent year-on-year. This year alone the industrial workforce has shrunk by 7 per cent.

Gesamtmetall, which has yet to make any proposals on pay, said 30,000 jobs a month were being lost in engineering and metalworking. Unit labour costs

Continued on Page 16

CONTENTS

 No 32,190 Week No 41 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

'Come to UK: opt out of EC social rules'

By David Gardner in Luxembourg

THE British government last night made a naked pitch for multinationals in Europe to relocate in the UK in order to evade EC social legislation.

The call came as Britain won a six-year opt-out from EC legislation to protect young people at work, agreed yesterday in Luxembourg. But it failed to prevent the 11 from deciding to go ahead with plans for EC-wide elected works councils in transnational companies, under the social chapter of the Maastricht treaty.

Mr David Hunt, UK employment secretary, claimed victory on all fronts. "We are turning the tide in Europe," he said, claiming that "in private, many of my [EC] ministerial colleagues agree with me."

On works councils, he said Britain had refused to accept "an alien model of compulsory consultation" of workers on investment, relocation and jobs plans.

Mr Hunt then predicted that "there may well be companies that decide to concentrate more of their activities in the UK", a provocative remark in view of recent controversy that Britain is gaining unfair advantage in luring investment by staying outside EC social and employment rules.

German, Dutch and French officials poured scorn on the idea of a mass industrial exodus from the continent to the UK. "But you can be sure the Council [of Ministers] will react if any such thing were to happen," one said.

Once Britain won its opt-out from the new law on protecting young people at work, Spain abstained, objecting that the UK was getting far too many exemptions from EC legislation, even before Maastricht, enshrining Britain's opt-out from its social chapter, had come into effect.

The object of the directive is to regulate the number of hours and the conditions of work for children (up to age 15) and adolescents (from 15 to 18). "This is the first time Europe will have strict rules to protect the young," Ms Miet Smet, the Belgian president of the Council said.

Britain repealed legislation giving special protection at work for school-leavers in 1989. It objected in particular to a 12-hours-a-week limit on work for children; a 40-hour week limit for school-leaving adolescents; and a total ban on night work, including adolescents.

The UK will now get a four-year derogation from these provisions, amounting to six years along with the two years allowed for the directive to be put on the statute books. The Council will then review the opt-out again.

German court's Maastricht ruling a win for all

Quentin Peel interprets the judgment on the European treaty

ON THE face of it, Chancellor Helmut Kohl seems to have got pretty much what he wanted from Germany's august constitutional court, giving the green light for ratification of the Maastricht treaty.

Of course the devil is in the detail, and after the 85-page judgment was delivered yesterday, both proponents and opponents of European union were claiming victory.

The eight red-robed judges of the constitutional court in Karlsruhe gave their own interpretation on how the treaty, and the whole process of European integration, should and would be implemented. Yet their words appear close to what the German chancellor, and the German parliament, have already agreed.

The end result is that all agree that the German Bundestag and Bundesrat, the two houses of parliament, should in future exercise stronger national democratic control over EC decision-making. In future, German overseeing of Brussels legislation will be similar to that in Britain and Denmark, and not the rubber stamp it used to be.

"The principle of democracy does not prevent Germany joining a supranationally organised community of states," the judges said in their main guidelines.

"If an association of democratic states takes on sovereign tasks and exercises sovereign powers, it is principally the peoples of the member states who must legitimate this through their national parliaments."

The judges did pay tribute to the need for democratic control at the European level – through the European parliament – but without quite the same sense of conviction.

"Increasingly as European nations grow together ... democratic legitimation is conveyed by the European parliament elected by the citizens of the member states," they said. "It is of decisive importance that the democratic basis of [European] Union should keep pace with integration, and that a vital democracy should be maintained as the integration of member states continues."

They then went back to stress the need for national democratic controls.

"If, as is currently the case, the peoples convey democratic legitimation through national parliaments, then the principle of democracy sets limits on the expansion of the tasks and powers of the European communities. The German Bundestag must retain substantial tasks and powers."

In weighting their judgment in favour of national control, the judges are following the inclination of the Bundestag and Bundesrat when they ratified the Maastricht treaty. In a considerable tussle with the German government, the two chambers have wrested constitutional powers to oversee all future Brussels legislation.

The constitutional court judgment, by stressing that trend, may help to reinforce it. According to a new article of the German constitution wrung out of the government by parliament last year, the government must now "consult and take into consideration" the opinions of its parliament.

Moreover the judges have gone further in reserving their own right to keep a sharp eye on future developments towards European union. "The federal constitutional court will consider whether legal acts carried out by the European institutions and organs remain within the sovereignty rights accorded to them, or whether they go beyond them," they said.

The court agreed with the German government that a loosely-worded article in the Maastricht treaty which allows the European Union to give itself the "means" necessary to achieve its goals, did not amount to a blank cheque. Germany, and all the other members states, agreed that the statement was merely a compromise clause to allow future financing to be arranged, without a clear commitment.

As for the transition to economic and monetary union, the court seems to be satisfied that the controls to be exercised by the Bundestag, and perhaps even more strictly by the Bundesbank, will be adequate.

"With ratification of the Union treaty, Germany is not subordinating itself to an unclear, automatic and uncontrollable mechanism leading to currency union. The treaty opens the way to a further step-by-step integration of the European community of law which depends at every further step either on conditions which the parliament can now foresee, or on further approval by the federal government, subject to influence from the parliament."

Mr Kohl could hardly have put it better himself.

GREATER POWERS ARE IN PROSPECT FOR THE EUROPEAN PARLIAMENT

THE German ruling on the Maastricht treaty clears the way for small, but potentially significant changes in how the European Community does business, writes Lionel Barber in Brussels.

Treaty ratification will increase the powers of the European Parliament, and deepen co-operation between governments on drugs, immigration and crime. It also lays the groundwork for greater co-operation on foreign policy, and provides for a move to a single currency by 1999 at the latest.

Some of these changes look incremental; others such as the move to European economic and monetary union look problematic. But, as one long-serving EC diplomat in Brussels said: "The powers are there in the treaty. It depends on whether the politicians are prepared to use them."

The obvious winner among EC institutions is the parliament. Under Article 189b, it gains the right of "co-decision" on legislation, to be shared with the council of ministers. This does not extend to core issues such as foreign policy and judicial co-operation, rather to mundane matters such as the internal market.

A senior EC official predicts that the legislative struggle between EC ministers and parliament will resemble bargaining between House and Senate in the US, with the European Commission playing the broker.

The parliament will exert greater scrutiny over the Commission, starting from January 1, 1995. On this date, both bodies will begin five-year terms.

Other important changes include:

- **More qualified majority voting in social policy legislation. Britain has a treaty opt-out, but remains involved in discussions.**
- **The right of EC citizens to vote or stand as a candidate in local and European parliament elections.**
- **Accelerated devolution of power to national and local levels under the principle of "subsidiarity".**
- **Establishment of "joint actions" in foreign and security policy. This does not mean the EC will be sending combat troops to ex-Yugoslavia, but should lead to less reactive diplomacy.**
- **Creation of a committee of the regions. Only four states have so far put forward a list of members, and some senior EC officials worry about bureaucratic confusion over its role.**

Lastly, the EC will be known in future as the European Union, but not apparently in all its future guises. Top lawyers in Brussels are studying variations. The safe bet is that the British, who remain worried about federal connotations, will stick to the "Community" – or even better, the "Common Market".

Ashley Ashwood

By the end of the decade Germany's politicians and civil servants will be exchanging the tranquillity of Bonn beside the Rhine....

Tony Andrews

....for the hurly-burly of Berlin, whose landmark ruin of the Kaiser Wilhelm memorial church is pictured above

Date set for Bonn move to Berlin

By Judy Dempsey in Berlin

THE TRANSFER of Germany's seat of government from Bonn to Berlin will be completed by the year 2000, Chancellor Helmut Kohl said yesterday, ending months of debate about the timing of the move. However, parliament might decide to move earlier, possibly in 1998, when the parliamentary factions will discuss the cabinet decision next week.

The cabinet decision was welcomed by the Berlin Senate, or state government, which said there was "finally a clear perspective". It will also send a signal, however late, to investors and property developers, who always believed the move would attract more investment into the five eastern states.

Officials in Bonn, particularly those who have established careers and homes in the Rhineland, have tried to delay the move as long as possible, largely because of the cost and upheaval. Mr Theo Waigel, finance minister, has estimated the move will cost about DM30bn ($18.5bn).

The decision to move the government to Berlin was voted by the Bundestag, the lower house, in June, 1991.

The slow timetable, however, has prompted sharp criticism by commentators, most notably Marion Gräfin Dönhoff, publisher of Die Zeit. She recently wrote that the government's reluctance to move to Berlin was slowing the social and psychological unification of eastern and western Germany.

- The Treuhand, the agency charged with restructuring and privatising east German industry, yesterday announced it had liquidated 3,151 enterprises with the loss of 235,000 jobs since it was set up in July 1990. They had been liquidated largely because they proved unviable, even after restructuring, or could not be privatised.

The Treuhand has already privatised almost 12,000 of the 13,000 enterprises under its control. Some 1,300 are in the process of being sold, leaving about 500, many of which will also be privatised.

However, there is increasing concern about the fate of 15 enterprises, which together employ about 100,000 people, and include the chemicals, mining and heavy machinery sectors.

Mitsotakis steps down as leader of party

By Kerin Hope in Athens

GREECE'S outgoing prime minister, Mr Constantine Mitsotakis, 75, is stepping down as leader of the conservative New Democracy party following its defeat by the Socialists in Sunday's election.

The two strongest contenders to succeed him are Mr Miltiades Evert, a former mayor of Athens who launched the city's first private radio station, and Mr Ioannis Varvitsiotis, defence minister in the defeated government.

Final election results, announced yesterday, gave Mr Andreas Papandreou's Socialists 46.9 per cent of the vote and 171 seats in the 300-member parliament.

New Democracy won 39.3 per cent and 110 seats. Political Spring, a conservative splinter group headed by Mr Antonis Samaras, took third place with 4.9 per cent and 10 seats.

The Greek Communist party, with 4.6 per cent of the vote and nine seats, will be the only other party in parliament.

Mr Papandreou was expected to announce his cabinet late yesterday. Mr Giorgos Gennimatas, a former labour minister, was expected to take the economy portfolio. Mr Carolos Papoulias was tipped as foreign minister, a job he held during the Socialists' previous term in 1981-89.

NEWS: EUROPE

French strike over public sector policy

By David Buchan in Paris

A ONE-DAY strike in protest at pay restraint, job cuts and employment worries yesterday caused widespread disruption in France's public sector, affecting rail, air, postal and telecommunications services.

The strike was called by two of France's union federations, the Force Ouvrière (FO) and the left-wing Conféderation Générale du Travail (CGT) and took place mainly within public sector companies, though one in four civil servants stayed away from work.

Train services in much of the country were cut by two-thirds, as was much of the Paris Métro, while striking Air France employees for a time blocked access to their airline's terminal at Charles de Gaulle airport and caused the cancellation of many medium-haul, but not long-distance, flights.

Pay is the main issue for the national civil service which has been offered an increase of 4.5 per cent for the 1993-95 period. But elsewhere strikers were mainly preoccupied by job cuts, privatisation plans and the Balladur government's employment bill which is aimed at introducing more flexibility in French labour law.

The strike was widely followed at Air France which has announced a further 4,000 lay-offs over the next year. Air France is on the government's privatisation list, while the postal service and France Telecom are not. But striking postal workers cited privatisation as one of the reasons for their protest.

Nearly three-quarters of France Telecom staff stayed away from work. The government has announced its intention to turn the telecoms utility into a public limited company so that it is better adapted to form international alliances. But many France Telecom staff see this as a step to eventual privatisation.

While Mr Louis Viannet, head of the CGT, hailed the action as a success, Mr François Perigot, head of the Patronat employers' federation, said such a revival of strike action would "block action already underway to get the country's out of its rut". He contrasted yesterday's action in the public sector with the labour climate in the private sector "where the number of disputes is the lowest since 1945".

Meanwhile, Mr Edmond Alphandéry, the economy minister, claimed yesterday that the recession was now no longer getting any worse. "One swallow does not make a summer," said the minister. But he said it was important not to minimise encouraging signs. With an upturn already in new housing and household consumption, it was possible to hope that unemployment would stabilise in 1994.

The draft budget for 1994, on which the national assembly started debate yesterday, would support economic activity and fight unemployment, he said.

One day may decide all Russia's future

Associated Press

A Muscovite posing with cardboard figures of President Yeltsin and former Soviet President Mikhail Gorbachev, who said last weekend he could return to politics to 'rescue' Russia

By John Lloyd in Moscow

THE FUTURE of all Russia's democratic institutions is likely to be decided on December 12 following indications yesterday that President Boris Yeltsin would opt for a presidential poll in December.

This would coincide with elections to both houses of the federal assembly, or new parliament and to the regional and republican councils.

Earlier, Mr Yeltsin had insisted that presidential elections be held in June to guarantee stability in the country over the parliamentary election period.

However, Mr Georgy Satarov, a presidential aide, was quoted yesterday by the official Itar-Tass news agency as saying that Mr Yeltsin, presently on a visit to Japan, was now looking more favourably on the December date.

The latest opinion polls suggest Mr Yeltsin has gained in popularity, and many of those advising him believe he should stand while he remains popular and while his popularity would benefit those parties and groups which support him.

Several supporters, including Mr Anatoly Sobchak, the mayor of St Petersburg and Mr Boris Fyodorov, deputy prime minister with responsibility for finance, have called on him to stand in December.

The biggest uncertainty facing the December polls is whether there is enough time left for them to be organised. Boundaries have to be drawn, electoral commissions appointed, party lists made up and rules on media coverage published.

Many parties and some papers remain banned during the state of emergency – due to end on Sunday.

Mr Satarov said yesterday that another possibility was to move all elections to a later date.

However, the main forces of the far right and left now seem likely to participate.

Mr Sergei Baburin, a nationalist deputy and a former deputy chairman of the banned National Salvation Front group, said yesterday he would call on his comrades in the Russian Popular Union – a smaller party of which he was also chairman – to put up candidates because "it is important to participate... in order to make the federal assembly, which is now purely decorative, into a real organ of representative power".

Mr Gennady Zyuganov, leader of the Russian Communist party, said that of the 120 nationalist/communist parties, only a few had been banned – and that communist and nationalist candidates could use the legal parties for their campaigns.

He said that the Agrarian Union and the trade unions would also serve as vehicles for these forces.

However, the main trade union federation – the Russian Federation of Independent Unions – said yesterday it wished to be free of all political affiliations.

On Monday, its praesidium accepted the resignation of Mr Igor Klochkov, the federation president – apparently as a "peace offering" to Mr Yeltsin, whose policies Mr Klochkov had strenuously opposed and whom the unions now fear may confiscate all or a large part of its property holdings.

Meanwhile, several key Russian regions, until now broadly opposed to Mr Yeltsin, are falling into line with his plans. The diamond-producing republic of Yakutia yesterday dissolved its local parliament and has set December 12 as a date for fresh elections.

In the Siberian city of Irkutsk, local politicians promised to reform their legislature, as Mr Yeltsin has demanded.

OECD warns of deep crisis in Russian R&D

By John Lloyd

RUSSIAN research and development, once the largest system of scientific research in the world, is now in "profound crisis", according to a study by the Organisation for Economic Co-operation and Development.

The report, by a group of western experts, says that many institutions are now on the verge of collapse, that the break-up of the Soviet Union has severed links between parts of the same research institutes and that young researchers are either leaving or refusing to join institutes because of low pay and morale. The rapidity of the decline in funding and projects, especially in the military sphere which accounted for more than 70 per cent of all R&D, has left politicians and administrators with a huge problem of redefining priorities.

The Russian Academy of Science, the most prestigious centre for basic research, has seen its budget decline by 2.5 times in real terms between 1990 and 1992. The report says that R&D investment (corrected to OECD norms) accounted for 2.1 per cent of gross domestic product in 1990, falling to 1.4 per cent in 1991. Of the estimated 950,000 people working in R&D in Russia (excluding space research) in 1991, 200,000-300,000 people have left the system, with further cuts expected. The "brain drain" has, so far, not been very large - with an estimated 30,000 people leaving to work abroad since 1990.

The continuing domination of the military sector, accustomed to working with large budgets and no cost constraints, means that the introduction of an innovation system based on interactions between science and the marketplace "will be slow and difficult". The space sector, an area of excellence, employs some 1m workers, of whom more than half were in R&D. However, recent budget reductions have been substantial.

The report recommends a range of changes, focusing on continued opening up of the sector to international co-operation and a reduction in secrecy.

Science, Technology and Innovation Policy, Federation of Russia, Evaluation Report. OECD, September.

Italian magistrates cry foul on football finance

By Robert Graham in Rome

THE high-spending world of Italian football has received a rude shock from magistrates investigating alleged phoney transfers, tax evasion and falsified balance sheets.

Five first division and two second division clubs are involved along with nine of their players. At stake are the reputations of the best-known and richest clubs – including AC Milan, owned by media magnate Mr Silvio Berlusconi, and Juventus, the team of Mr Giovanni Agnelli, head of Fiat.

These clubs, along with Cosenza, Inter-Milan, Genoa, Torino and Venezia, have all had their offices raided by police this week. Police have also visited the homes of players and managers. The top-named players are Milan's Gianluigi Lentini, who reputedly was responsible for the game's record transfer fee of L60bn (£24.92m), and one of Italian football's idols, Dino Baggio, now playing for Juventus.

Almost a year ago Turin magistrates were alerted by a small Torino shareholder to the suspicious circumstances of a player's transfer to Venezia. Inquiries revealed the L570m transfer was fictitious and the player's name was none other than the son of a Torino employee.

As a result, the magistrates extended their investigations into the management of the then Torino chairman, Mr Gian Mauro Borsano, a socialist member of parliament.

Apart from transfers of fictitious players, the magistrates are examining the disparity between the figures for which transfers are booked and the figure quoted. Lentini was transferred from Torino to Milan in July 1992 for a sum said by his old club to be around L60bn. He appears in Milan's books worth L27.2bn.

Again Dino Baggio was party to a curious triangular deal whereby in the space of a few days he was transfered from Torino, to Juventus to Inter for a mere L4.5bn – a figure considered surprisingly low for someone of his reputation.

One of the tricks magistrates believe they have uncovered is the accounting for a player's transfer for half the real price in one year, then next year the remainder is paid over to a "ghost" player. By splitting the fee in two the payment to the fictitious player looks more realistic. The Italian press has carried statements from former football managers claiming the practices have been long known and tolerated.

First woman elected to lead Irish political party

By Tim Coone in Dublin

MS MARY Harney was elected yesterday to lead Ireland's Progressive Democrat party. It is the first time a woman has led a political party in the Irish Republic.

The election follows last week's announcement by the outgoing leader, Mr Des O'Malley, that he would withdraw from the frontline of Irish politics.

A reforming politician, Ms Harney, 40, has campaigned for the liberalising of Ireland's conservative social legislation since she was elected to the Dail in 1981. She was a key figure in the founding of the Progressive Democrats in 1985 by a group which split from the Fianna Fail party on policy differences over Northern Ireland, the contraceptive issue and internal party democracy. The Progressive Democrat party has 10 seats in the 166-seat Irish parliament.

Ms Harney said yesterday she wanted the party to field candidates in every constituency at the next general election, and to mount an "effective but constructive opposition" to the present government. On economic policy the PDs are conservative in outlook, favouring low taxation and low government spending.

The PDs held the balance of power in the last coalition government and were instrumental in the downfall of Mr Charles Haughey, the former prime minister, and the collapse of the last coalition led by Mr Albert Reynolds.

Coalitions are likely to be the norm in the foreseeable future, due to Ireland's proportional representation system, and a trend of declining support for Fianna Fail, previously the majority party. This should create an opportunity for the PDs to return to government sometime in the future.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Mexico plans S American trade pact

By Stephen Fidler and Damian Fraser in Mexico City

THE Mexican government plans to sign a free trade agreement with Venezuela, Colombia and possibly Bolivia by the end of this year, and another with Costa Rica, according to Mr Jaime Serra Puche, Mexican trade minister.

Mr Serra told the Financial Times the government hopes to join the Organisation for Economic Co-operation and Development (OECD) early next year. Entry should be eased by passage of a new, more liberal foreign investment law, which the government is expected to submit to Congress at the end of this year.

Mr Serra said the foreign investment law will be submitted whether or not the North American Free Trade Agreement (Nafta) is ratified. The substance of the proposed legislation would be similar in either eventuality, but the access that it gave to specific countries could be different.

Mexico has been concurrently negotiating trade agreements with Central America, Venezuela and Colombia in an effort to balance the proposed agreement with the US and strengthen ties with neighbouring countries.

President Carlos Salinas said last week that Mexico's relations with the US could be damaged if the trade accord with the US and Canada was not approved.

Officials are talking of a possible backlash against US companies in such an event, and say they may seek selective investment agreements with countries in Europe, Asia and Latin America if the treaty were rejected.

A senior Mexican government official said he would not rule out the possibility that Mexican tariffs would be raised if Nafta was not passed.

Such comments may be no more than part of a campaign to press the US Congress into approving the treaty. A move to discriminate against the US could backfire, since Mexico depends on it for about 60 per cent of its direct foreign investment.

Mr Serra said that signing sector-by-sector trade agreements with the US would be difficult were Nafta not passed. Under provisions of Gatt, a free trade accord is only allowed if it is comprehensive, which could be interpreted to exclude special sector deals.

The Mexican government expects the fate of Nafta to be settled by November 25, the day by which the House of Representatives has been asked by President Clinton to vote on the legislation which permits Nafta to go ahead. The vote in the Senate, where support for the treaty is stronger than in the House, may not come until after the New Year.

Time to square the Quad for the Round

Frances Williams on a need to clarify the Tokyo deal between the big four traders

WHEN the world's four biggest trading nations struck an unexpected deal on tariffs last July in Tokyo, there was an almost audible sigh of relief from the other participants in the 116-nation Uruguay Round of trade liberalisation talks.

The apparent resolution of disagreements related to industrial goods between the so-called Quad nations – the US, the European Community, Japan and Canada – was seen as paving the way for an ambitious tariff-cutting package going well beyond the Round's one-third target reduction.

However, with just more than two months to go to the December 15 deadline for concluding the seven-year-old Round, the negotiations to improve market access for imports are still being held up by the Quad's failure to agree how precisely the Tokyo accord should be applied, tariff line by tariff line.


Mr Mickey Kantor (left) and Sir Leon Brittan: today's meeting crucial in breaking the logjam Reuter

Under the most-favoured-nation principle of the General Agreement on Tariffs and Trade, tariff concessions agreed by the leading traders are extended to all, providing a basic platform for bargaining by others. Mr Peter Sutherland, Gatt's director-general, said at the end of September that the Quad's "unfinished agenda" was putting "clear obstacles" in the way of the Geneva talks.

The meeting in Brussels today between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EC trade commissioner, is thus seen as crucial in breaking the logjam. "If this meeting is unproductive, the Uruguay Round will be in a very difficult situation," says a senior official from another Quad country.

Senior Quad negotiators will meet in Geneva tomorrow to review progress in the market access negotiations before an important stocktaking meeting of all Uruguay Round participants on Friday.

The basic problem appears to be a difference between the EC and its Quad partners on how the Tokyo accord should be interpreted. EC negotiators say it provides an agreed "formula" for tariff cuts across the board: zero tariffs for some categories of goods, harmonised low tariffs for others, peak tariffs (15 per cent and over) to be halved, and other tariffs to be cut by a third.

The US, Japan and Canada say the accord sets out objectives, to be hardened up through the normal bargaining process. Community officials argue that the "request and offer" approach – which the EC has always opposed – is simply impracticable at this late stage of the negotiations.

The EC is particularly annoyed because it thought it had won agreement from the US in Tokyo to halve most tariff peaks on textiles, a key objective for the Community. Instead, Washington has offered 50 per cent cuts on only half the textile tariff peaks the EC has identified, and the reductions on the rest amount to less than a fifth.

In the tariff category targeted for a one-third reduction, the US has chosen to meet the goal by offering extra zero-tariff sectors, notably electronics, rather than lowering duties across the range.

For its part, Japan has offered 50 per cent reductions on fewer than half its tariff peaks. High tariffs on leather goods, where both the EC and the US are pushing for reductions, have barely been touched.

Community negotiators say they cannot agree to more than the eight zero-tariff categories already accepted unless the US and Japan make further concessions. Apart from electronics, the EC's Quad partners want Brussels to scrap duties on paper and pulp and scientific instruments, and to reduce or eliminate tariffs on glass, ceramics, toys, wood and non-ferrous metals.

The other Quad nations are laying blame for the impasse in the negotiations at the EC's door. "It's Brussels that needs to move," says one senior trade diplomat, pointing out that the Community's tariff offer is by far the worst of the four and falls well below the one-third Uruguay Round target.

According to one estimate, Japan's offer on industrial goods amounts to an average tariff reduction of about 60 per cent, Canada's 50 per cent, the US's 37 per cent and the EC's 26 per cent, though EC officials say their offer was pitched low deliberately to put pressure on trading partners.

US negotiators are hoping that, in the textiles area at least, a settlement may be in sight after signs that the American and European textiles industries are close to a tariff-cutting agreement on products of bilateral interest, mostly wool. Similar industry accords, on zero tariffs for pharmaceuticals and low harmonised tariffs for chemicals, were taken on board in the July Quad deal.

As for the rest, according to one sanguine insider, "there are few issues left and the trade-offs are clear. Mr Kantor and Sir Leon should be able to close in on a deal."

Tokyo talks to discuss access to insurance markets

By Michiyo Nakamoto in Tokyo

US AND Japanese negotiators gathered in Tokyo yesterday to discuss the possibility of smoothing access to each other's insurance markets.

The US says business practices of Japanese companies create an obstacle to foreign insurers in the Japanese market. Japanese companies tend to deal with insurance companies in their own corporate groups, or keiretsu. This and the fact that car insurance is mainly sold through car dealers have been cited as barriers to foreign companies, which have only about 4 per cent of the Japanese market. Japan, meanwhile, has told the US its state licensing system for insurance companies made it difficult for foreign companies to enter the US market.

The insurance talks come at the start of a period of intense trade talks between the two countries. They had been preceded by inconclusive talks between Mr Mike Espy, US secretary of agriculture and Mr Eijiro Hata, agriculture minister.

Later this week, officials will turn their attention to Japan's pensions fund management market – another bone of contention. Japan agreed this summer to expand the scope of corporate pension funds that can be managed by foreign investment advisers as part of market opening measures agreed with the US, Canada and the EC in an effort to bring the stalled Uruguay Round to a successful conclusion.

The talks this week between the US and Japan covering financial services will be followed next week by talks on trade in cars and car parts, and on government procurement of high technology equipment. In both cases, the US is likely to press Japan to further open its markets to US products.

Needham warns France that Gatt stance may harm EC

By David Dodwell, World Trade Editor

FRENCH efforts to protect its subsidised farm exports, which are putting in jeopardy a successful conclusion of the Uruguay Round of talks on world trade liberalisation, could inflict enormous damage on the European Community, Mr Richard Needham, UK trade minister, warned yesterday.

On the eve of a high-profile trade-promotion visit to China, Hong Kong and Taiwan, Mr Needham insisted Britain "could not stand back and agree to fall in with a protectionist Europe".

"If one country in the EC wrecks the Uruguay Round, they have to know it will do enormous damage to the Community," he said.

His comments come in the wake of drab trade figures showing UK exports in July to the depressed markets of Europe – which account for almost 60 per cent of all British exports – fell to £4.85bn, their lowest level for 18 months. In contrast, exports to non-EC countries are 2.5 per cent up on the year, with sales to China up by 90 per cent.

"These figures illustrate well the new British priority being given to Asia's markets," Mr Needham said. This will be his fourth visit to China since assuming office last year.

Complaining about the comparatively poor performance of UK exporters in Asia, Mr Needham said the government intended to exploit more effectively the Crown Agents, the Commonwealth Development Corporation, and multilateral agencies such as the World Bank in seeking contracts in Asia and other parts of the developing world.

He noted that last year, France won 15 per cent of World Bank procurement contracts in the developing world, and Italy 12.8 per cent, while the UK won just 2.2 per cent.

David Buchan adds from Paris: Prime Minister Edouard Balladur is today to spell out proposals for an interim world trade deal this year to break the current impasse in the Gatt negotiations. He called seven of his ministers together yesterday to discuss his idea of identifying a list of trade issues which could be settled by the December 15 deadline agreed between the EC, the US and other main Gatt participants, leaving the rest for later negotiation.

But several officials conceded that they were "in the dark" about much of the state of bargaining in several of the 15 Gatt areas of negotiations, because Sir Leon Brittan, EC chief negotiator, and his Brussels officials "have not chosen to enlighten us".

OECD Export Credit Rates

The Ecu rate which was not available for publication in the Financial Times of October 12 for the period October 15 to November 14 is 7.13, compared with 7.33 for September 15-October 14. These rates are published monthly by the Financial Times, normally in the middle of the month.

NEWS: THE AMERICAS

Health bill for Congress this week

By Jurek Martin in Washington

THE Clinton administration will probably send its detailed healthcare reform bill to Congress next week, according to one of its chief architects.

Mr Ira Magaziner, White House adviser, said in a speech in Washington yesterday that publication of the bill had been delayed by last-minute number-crunching over new taxes and fees to finance the extension of basic health coverage to all Americans.

This delay has offset some of the initial momentum gained from the impressive presentation of the outlines of the package by President Bill Clinton and his wife late last month.

Mrs Hillary Clinton has continued to draw favourable reviews as she campaigns around the country on behalf of the plan, which she also played a leading role in shaping. But her husband, and the public, have been distracted by events in Somalia.

However, yesterday the president flew down to North Carolina, one of the biggest tobacco producing states, with the apparent intent of at least trying to make the case that it is right and proper to help finance national healthcare reform through the levying of higher "sin taxes".

The suspicion of some lost momentum was confirmed by the latest Washington Post poll released yesterday. This found public support for the Clinton plan down to 51 per cent from 56 per cent after his speech to Congress, while opposition had risen from 24 per cent to 39 per cent.

Most reservations centred on the undoubted fact that people will have to pay more, directly or indirectly, for their medical care and on the fears that its quality, including the freedom to choose doctor and hospital, might decline.

Nevertheless, as the White House was quick to point out yesterday, the Post poll still found a comfortable majority (59-31 per cent) believing that the Clinton plan was better than the current system. Even many Republicans concede that reform is essential.

The details of the bill, likely to run to over 1,000 pages, will be critical, with countless interest groups waiting to pounce. The New York Times, for example, reported over the weekend new anxieties that some poor and disabled children would be worse off under the Clinton plan.

Economic historians win Nobel

Fogel: rigorous statistical techniques

By Michael Prowse in Washington

THE Nobel prize for economics was yesterday awarded to Robert Fogel of the University of Chicago and Douglass North of Washington University in St Louis for pioneering work on the causes of economic and institutional change.

The Nobel committee's decision to break with tradition and award the prize for work in economic history, rather than economics proper, reflects the growing importance economists attach to the role of social institutions in providing a framework for economic growth.

Professors Fogel and North are widely credited with revolutionising economic history as an academic discipline by applying rigorous statistical techniques and theories. The approach is known as "cliometrics" or "the new economic history".

"It's a tremendous decision," said Prof Roderick Floud, provost of London Guildhall University, who has collaborated with Prof Fogel for the past 10-15 years. He said their emphasis on quantitative techniques had transformed economic history and stimulated greater numeracy in other branches of history.

Prof North, 72, has cast doubt on many traditional explanations of economic growth, arguing that factors such as technical change and innovations are less important than previously claimed. He puts more stress on legal and social institutions, such as property rights, that create the conditions in which market economies can flourish.

His work is of particular relevance to former communist countries where the lack of capitalist institutions is widely seen as one of the main obstacles to development. Prof North recently advised the Czech Republic on privatisation. egy. He previously acted as a consultant in Russia, Argentina and Peru.

"He is adamant that you cannot just leave development to markets," said Prof John Nye, a colleague of Prof North at Washington University. "He is trying to push back the boundaries of economics by getting economists to focus on institutions as well as exchange and allocation."

Prof North has also used the modern economic theory of transactions costs to throw new light on feudal and medieval economies. He concluded these forms of economic organisation were efficient given existing institutional constraints.

Prof Fogel, 67, pioneered the application of rigorous statistical techniques in economic history, in the process turning conventional wisdom on its head.

Historians, for example, have long argued that the development of railways played a crucial role in US economic development. Prof Fogel rejected this claim, arguing that had railways never existed, US gross national product would have been only 3 per cent lower. He argued that in the absence of railways substitute forms of transport such as roads and canals would have played a more important role. This type of "counterfactual" analysis, familiar to economists, was new to economic historians.

In a study that provoked bitter criticism, Prof Fogel rejected the conventional wisdom that American slavery was an inefficient, unprofitable economic system. His careful statistical analysis indicated that slavery was economically viable and would have persisted but for political opposition. He did not, however, attempt to justify slavery, arguing that it was morally unacceptable.

More recently Prof Fogel has helped to develop a new branch of economic history that uses biomedical data on human height, weight, food intake and morbidity as a gauge of changes in economic welfare.

North: stress on institutions

Mexican power sale setback

By Damian Fraser in Mexico City

MEXICO'S ambitious programme to privatise electricity generation has received a blow after investors pulled out of buying a plant in the northern state of Coahuila.

The Carbon II plant was to be sold for $1.6bn (£1.05bn) to a consortium 49 per cent owned by Mission Energy, a subsidiary of Southern California Edison, and 51 per cent owned by Mexico's Grupo Acerero del Norte and Organizacion Autrey. It was to be the first privately-owned electricity plant in Mexico.

However, US environmentalists complained that pollution from the plant would blow over the border into the Big Bend National Park in Texas, and demanded that smokestack scrubbers be fitted at a cost of about $300m. Such scrubbers are demanded by US law, but not by Mexico.

Mr John Bryson, chief executive of Southern California Edison, said in a statement issued by Mexico's energy ministry that circumstances were not favourable to conclude the deal.

The problems over the plant have highlighted growing pressure on Mexico to upgrade environmental regulations to the levels in the US even though this is not required by Mexican law. Mexico has recently been willing to cede to the US over the environment, in an effort to win support for the North American Free Trade Agreement.

Port-au-Prince tense as armed men roam the streets

By William Spindler in Port-au-Prince

THE Haitian capital of Port-au-Prince was tense yesterday, with many shops and offices closed and heavily-armed men roaming the almost empty streets.

Public transport was at a standstill. Small-arms and machine-gun fire was heard through the night, following Monday's violent demonstrations which prevented the landing of US troops on a UN mission intended to oversee the restoration of democracy on the island.

The offices of national radio and television were occupied by plain-clothes police auxiliaries, known as "attachés", who also led Monday's demonstrations.

The UN special representative in Haiti, Mr Dante Caputo, cancelled a planned trip to Washington because of the incident. He blamed the Haitian military for Monday's incident, saying the attacks were an insult to the UN and a clear violation of the agreements signed in New York between the army and exiled president Mr Jean-Bertrand Aristide, due to return to Haiti at the end of this month under the peace plan.

The USS Harlan County, carrying the troops, remained anchored outside port yesterday as US officials tried to negotiate a plan for its safe arrival.

In Washington Mr Warren Christopher, secretary of state, yesterday accused Haiti's military leaders of violating the UN-mediated accord and warned that if sanctions were reimposed, they would be severe.

"By their actions, Gen [Raoul] Cedras and Chief of Police [Joseph Michel] François are inviting reimposition of severe economic sanctions that could affect their country and would also affect them personally," Mr Christopher said.

Gen Cedras, who led the 1991 coup which ousted Mr Aristide, condemned the violence but said he sympathised with the Haitians' outrage at the threat to their sovereignty.

Argentina in aircraft talks

By John Barham in Buenos Aires

ARGENTINA has been in talks with a US subsidiary of Smiths Industries of the UK to modernise second-hand fighter bombers its air force is buying from the US to replace those shot down by Britain in the 1982 Falklands conflict.

Smiths' US unit says it "actively competed" for the contract, even though a British arms embargo imposed during the conflict remains in force.

The company's avionics division, based in Grand Rapids, Michigan, said this week it had held meetings in Buenos Aires with local defence ministry officials. More talks were planned this week in the US with Mr Oscar Camilion, Argentine defence minister, who will make a counter-proposal to the bid.

UK and Argentine government officials agree there is little chance that Smiths will win the contract unless the embargo is relaxed. By negotiating with a British company for a defence contract Argentina may be trying to underline the "anachronistic" nature of the embargo.

Smiths in the UK said: "This is a responsible company. It is not one that is going to break any embargoes or sanctions imposed by governments." Smiths was "not going to supply anyone that does not have the approval by the government agencies involved."

Argentina is negotiating to buy 36 second-hand A4M Skyhawk fighter bombers from the US Navy. The US agreed to sell the aircraft to Argentina in 1992, but bowed to requests by the UK that they should not be equipped with electronics or weapons systems that might threaten British forces based on the Falkland Islands.

A senior Smiths executive was in Argentina last week "answering questions" from the air force. A marketing director involved in the talks said Smiths had informed both Washington and London it would make an "initial top-level presentation" in Argentina concerning the contract.

Coal peace discussions resume in Washington

By Laurie Morse in Chicago

NEGOTIATORS for the United Mine Workers of America and coal company representatives resume talks in Washington today, amid hopes that the long-running US coal strike may be near its end. The talks are being led by Mr William Usery, who was appointed by the White House as a mediator in the dispute in September.

Mr Usery met the union and coal companies separately yesterday in preparation for today's discussions. Both sides are returning to negotiations after a week-long recess for consultations.

A spokesman for Mr Usery said: "We are hopeful for a resolution by this weekend. That is our objective."

The union and the Bituminous Coal Operators Association, the coal companies negotiating group, would not comment on the talks.

The UMWA called a selective strike against the US's largest coal companies in early May, after working without a contract since February. Since then, more than 14,000 coal-workers have joined the picket lines. Peabody Coal, a subsidiary of UK-based Hanson, has estimated the strike has cost about $1m a day in lost profits.

NEWS: INTERNATIONAL

Tehran's vendetta hits the Kurds hard

The war with the guerrillas is worsening, writes **Gareth Smyth**, recently in Baneh region, western Iran

ASHAD Rashidi is 23, newly married and frightened. A shell recently exploded across the isolated, rocky valley in western Iran where he and his five brothers farm. The boom of artillery fire echoes almost daily around the area. "I know of more than 20 people who have been killed," he says.

Within the mud-baked walls of his house hang pictures of President Hashemi Rafsanjani as well as Ayatollah Khameini, Iran's spiritual leader, and the late Ayatollah Khomeini. "When the *pasdaran* [revolutionary guards] see these pictures, they will not harm us," Mr Rashidi explains.

The shelling is one sign of the intensifying conflict between Tehran's Islamic régime and the *peshmerga* guerrillas of the Kurdistan Democratic party of Iran (KDPI). Yet a news blackout operated by Iran ensures the trouble goes largely unreported in the outside world.

It is a bitter, large-scale conflict. Iran is said to have stationed around 200,000 troops, mainly *pasdaran*, in its Kurdish region since Ayatollah Khomenei declared a *jihad* (holy war) against the mainly Sunni Kurds in 1980.

The *peshmerga* claim the *pasdaran* have lost the will to fight. "They used to hang pictures of the Ayatollah on their chests and wear headbands as a symbol of [the seventh century Shia martyr] Hussein, but only a few do that now," said Mr Sa'ed Brayhim, KDPI commander for the Baneh region.

Rather than engage in hand-to-hand fighting, the *pasdaran*, who have bases in all the local towns and many villages, resort to the imprecise use of artillery and mortars against *peshmerga* who move largely at night and receive food and moral support from Kurdish villagers.

The hamlet of Bagy Kazy, some 20 miles south-west of Baneh, was abandoned by residents terrified of shelling, KDPI *peshmerga* claim. Recent signs of habitation (hay in cattle pens, abandoned pots) were testimony to the villagers' rapid departure.

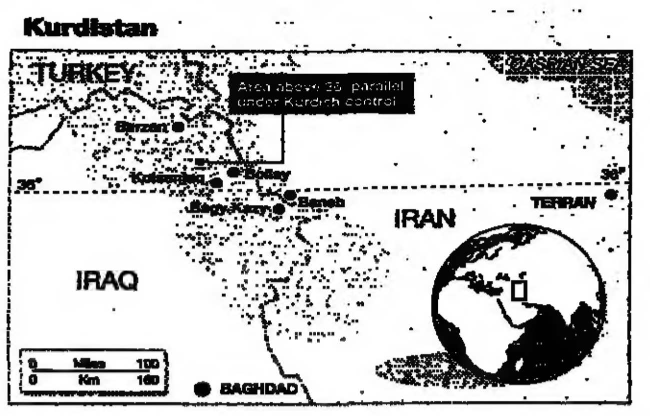
In escalating its campaign, the KDPI draws strength from bases across the border in northern Iraq made possible since the emergence in late 1991 on Iraqi soil of a "free Kurdistan" with *de facto* independence from Baghdad.

The government of 3m Iraqi Kurds, who elected their own unofficial "parliament" last year, has fanned the nationalist aspirations of the estimated 5m-8m Iranian Kurds denied any autonomy and compelled to use the Farsi language on formal occasions, including in education.

Relations between Tehran and the Iraqi Kurdish authorities have worsened throughout the year, and threaten a new twist to the complex politics of the region.

Iran issues frequent warnings about the "godless and morally corrupt situation" in Iraqi Kurdistan, and its troops held a security zone inside Kurdish Iraq between April and August, prompting protests from Baghdad.

Among the Iranian bugbears is the Kurdish radio and TV now beamed into Iran from Iraqi Kurdistan and offering a mixture of news, views and music. One aged villager near Baneh, whose son was recently arrested for grazing his sheep too close to an Iranian military position, tunes in to the station: "I don't like Tehran radio, I want a programme in my own language," he says.



Ordinary Kurds in the Baneh region say life is worse than under the Shah, overthrown by the Islamic Revolution in 1979.

The poor state of the Iranian economy, with high inflation and unemployment after the devaluation of the *rial* in March, has hit the Kurdish regions hard, compounding the sense of discrimination in one of the poorest parts of Iran.

The KDPI has a long-established policy of eschewing terrorism which has survived the assassination of its past two leaders, Mr Abdolrahman Qassemlou in Vienna in 1989 and Mr Sadiq Sherefkindi in Berlin last year. "I want to talk to people with my tongue, not with my Kalashnikov," says Mr Ali Azizi, a *peshmarga* commander. The KDPI moved its headquarters in August from Bollay to Koisanjaq, some 45 miles from the border and beyond the range of Iranian artillery.

Casualty figures are hard to come by. Tehran says nothing. The KDPI is anxious to play down the importance of its bases inside Iraqi Kurdistan and insists its primary work in Iran is organisational rather than military.

Mr Mustapha Hijri, KDPI general secretary, says "more than 50" *pasdaran* have been killed since April, but a cursory listen to KDPI radio and conversations with *peshmerga* suggest the real figure is higher.

Mr Hijri is convinced the struggle is tilting in the Kurds' favour. "We will carry out more attacks. I believe we will win". His fear is that the Iraqi Kurds, beleaguered by President Saddam Hussein and desperate for friends in the region, will yield to Tehran's pressure and insist the KDPI leave. "I have not thought where we would go then," he says.

Referendum idea rejected by Mandela

By Emma Tucker

MR NELSON MANDELA yesterday rejected a referendum as a way of breaking an impasse in South Africa's constitutional talks and said that the African National Congress was determined to go ahead with next April's general election as scheduled.

The ANC leader, in London to address a Confederation of British Industry conference, was responding to a speech by President F W de Klerk in Stellenbosch on Monday. Mr de Klerk suggested a referendum as a way of ending a deadlock caused by a boycott of the talks by the Inkatha Freedom Party, the ANC's main black rivals, and the extreme right Conservative party.

Mr Mandela, who received an explanatory telephone call from Mr de Klerk on Monday night said: "At no time did President de Klerk make a specific proposal that a referendum should be held. All that he said was that this was a matter which must be addressed in one way or the other. One way might be to have a referendum."

Some political analysts in South Africa have suggested that holding a referendum would allow the government and the ANC to claim international legitimacy and a mandate to govern in the face of right-wing opposition which could disrupt the proposed election.

Addressing the CBI conference in London, Mr Mandela said he wanted a reassurance that the Freedom Alliance between right-wing whites and Chief Mangosuthu Buthelezi's Inkatha Freedom party would recognise and accept the results of a referendum.

"I got no such reassurance," he said, adding that a referendum was "entirely unlikely" to resolve the situation.

Earlier, Mr Mandela said South Africa should abolish exchange controls at the earliest opportunity.

"We are fully aware that the existence of exchange controls could act as a deterrent to many potential investors who may not be certain about the full implications of this system to their investments," he said.

Abandonment of the system would be possible "once some semblance of stability returns to the economy, particularly the balance between capital inflow and outflow," he said.

Mr Mandela, who later met Mr John Major, the prime minister, was nearing the end of a trip to the US and the European Community to promote investment in South Africa.

Countdown to Palestinian self-rule starts

Julian Ozanne on the task facing Israel and the PLO

ISRAEL and the Palestine Liberation Organisation today begin a complex process of working out the details of how to implement the historic peace accord signed one month ago in Washington.

The negotiations in Egypt mark the coming into effect of the Declaration of Principles, a broad framework for a peace settlement, sealed at the White House with a handshake between Mr Yitzhak Rabin, Israel's prime minister and Mr Yassir Arafat, PLO chairman. The talks also start the tight nine-month countdown to Palestinian self-rule in the occupied territories with Israeli military withdrawal from the Gaza Strip and the West Bank town of Jericho to be completed by April 13 and an elected Palestinian Council to take over internal administration by July 13.

Two standing committees, which begin work today in Cairo and the Red Sea resort of Taba, will over the next two months hammer out a lengthy agenda of difficult and sensitive security issues ranging from the role of the Palestinian police force to the release of Palestinian prisoners.

The overall liaison committee, led by Mr Shimon Peres, Israeli foreign minister and Mr Mahmoud Abbas (Abu Mazen), a senior PLO official, will meet in Cairo. A committee of experts led by Major-General Amnon Shahak, Israeli deputy chief of staff and Mr Nabil Shaath, adviser to Mr Arafat, will meet in Taba to concentrate on the protocol for Israeli military withdrawal which both sides have agreed to reach by December 13.

A third committee will meet in Washington to prepare a protocol for the holding of Palestinian elections and detailing the powers of a Palestinian Council. A fourth committee will concentrate on a crash programme of economic assistance to the territories.

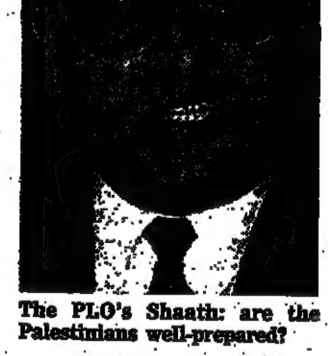
Both Israel and the PLO appear committed to thrashing out the problems and keeping the peace momentum on track. But it is clear that many of the issues will severely test the Palestinian side as hardliners in the occupied territories continue to seek to sabotage the agreement and level charges of betrayal against Mr Arafat.

The most difficult issues revolve around the security of Jewish settlers who will continue to live in the territories throughout the five-year period of interim self rule. Last weekend's killing of two Israeli hitchhikers by Palestinian gunmen near Jericho has heightened Israeli concerns about security. Mr Rabin has made clear that the security issue and Palestinian guarantees will be the touchstone of the next two months negotiations.

The Taba committee will be the centre point for talks about security and its location on the Israeli-Egyptian border will allow the negotiating team to make site visits into the territories to resolve demarcation lines on the ground. Any deadlock between the two sides will be referred up to the higher level liaison committee.

Among the issues to be resolved in Taba are the extent of the hitherto unspecified area around Jericho from which Israeli troops will withdraw; the level of co-operation between the Palestinian and Israeli police forces and in particular what right Israeli policemen will have to pursue Palestinian suspects who commit crimes in Israel and flee across the border into the territories.

The Taba talks must also resolve the extent of Israeli military protection for Jewish settlers travelling on roads in the territories; what will happen to Palestinians currently living under Israeli protection who have been dubbed "collaborators"; the conditions for the release of Palestinian prisoners held by Israel; the right of passage for Palestinians crossing the Egypt-Gaza border and the Jordan-Israeli border and the right of Jewish settlers to pass through Palestinian controlled areas.



The PLO's Shaath: are the Palestinians well-prepared?

Israeli officials say they will arrive at Cairo and Taba today with a clear agenda, working papers and a will to reach solutions within the next two months. However, concern has been expressed in Jerusalem about the extent of preparation on the Palestinian side. The PLO, however, come to he talks buoyed by a vote in the PLO's central council in Tunis approving the peace agreement by 63 votes to eight with 11 abstentions.

Although the negotiations are going to be difficult and lengthy, Israeli officials believe it will be much more difficult to deliver on the agreements when they come into force. They say that building confidence and relationships between the two sides are as important as the details of the agreements.

S Korea averts financial panic

By John Burton in Seoul

SOUTH KOREA yesterday smoothly completed the introduction of a ban on anonymous financial accounts and avoided a panic on money markets.

The government had stipulated that yesterday was the deadline for all accounts to be registered under the real name of their owners. The ban on false-name accounts is meant to reduce the large underground economy, estimated to be equal to 20 per cent of GNP.

About 95 per cent of the won300,000bn (£241bn) in financial accounts had been identified as of yesterday.

There had been widespread fears that the deadline would provoke a massive withdrawal of hidden assets from banks and the stock market in a desperate attempt to beat the tax collector, causing a liquidity drain and a financial crisis in its wake.

But the government on Monday suggested that accounts listed under borrowed names would not have to be converted to the owner's real name until 1996, when a new tax system is introduced.

Analysts believe that most of the untaxed assets are hidden under borrowed name accounts.

It is common practice for large depositors to use the names of family, relatives and friends to hide their assets and reduce their tax bill.

The concession will enable the nominee holders to withdraw money from the accounts over the next three years without officials discovering who actually owns the funds in the account.

The stock market reacted soberly to the deadline. The general index rose by 2.5 points to 724, almost precisely the same level before the real-name system was announced two months ago and caused a brief panic on the exchange.

The bourse has recovered since then because the government promised that it would not impose capital gains taxes for the next five years to persuade investors to keep their money in the market.

Patten blames Beijing for Hong Kong talks deadlock

By Simon Davies in Hong Kong

HONG KONG'S Governor Chris Patten yesterday attempted to blame China for the failure to achieve any breakthrough in the long-running Sino-British talks over the British colony's political future.

His comments came as the negotiations appeared to deteriorate into an argument over which side is guilty for the current stalemate.

The governor was replying to Monday's statement by Chinese vice-foreign minister Jiang Enzhu that it would be "no big deal" if an accord could not be reached.

Mr Patten said: "I think everybody in Hong Kong thinks it would be a big deal if we didn't reach an agreement in the talks." He questioned China's sincerity in its approach to the negotiations.

The 13th round of talks in Beijing lapsed yesterday with the two sides remaining divided. They are trying to reach agreement over proposed changes to the mechanism for electing Hong Kong's 60-seat Legislative Council. Britain's chief negotiator, Sir Robin McLaren, said: "I won't say we have made no progress, but I can't say I'm satisfied with the progress we have made."

Britain and China have agreed to start a 14th round on October 20, but local expectations of a breakthrough are declining along with the tone of the diplomatic exchanges between the British and Chinese negotiating teams.

Analysts think Mr Patten's expected meeting with the UK cabinet on November 11 will provide the effective deadline for talks, unless there is a last-minute compromise.

● Alastair Goodlad, UK minister responsible for Hong Kong, pictured right, prepares to cut a roasted pig in a traditional Chinese ceremony to mark the start of construction of a British consulate in the colony for use when China takes over in 1997. With him is Francis Cornish, UK trade commissioner in Hong Kong.

Associated Press

Sharif abandons attempt to be PM

By Farhan Bokhari in Islamabad

MS Benazir Bhutto's chances of forming a government in Pakistan have strengthened after an apparent decision by Mr Nawaz Sharif, her arch rival, to abandon his attempt to seek office.

Instead, Mr Sharif has intensified his efforts to form the government in the Punjab, Pakistan's largest and wealthiest province, which is widely regarded to be crucial for the smooth functioning of the central government.

Concentrating on the Punjab, which is Mr Sharif's home province, would strengthen the position of his Pakistan Moslem League (PML) party. Punjab is also crucial for the success of the future government. Mr Sharif took office as the chief minister of the province in 1988 when Ms Bhutto became the prime minister. However, he was able to force the dismissal of her government 20 months later, partly because of intense conflict between the centre and the Punjab.

The PML won 106 seats in Saturday's provincial elections, against the 112 by the PPP and its allies. Both sides are now trying to win the support of independent members and representatives of non-Moslem minorities to gain a majority in the 248-seat house.

Despite Mr Sharif's latest efforts, Ms Bhutto's Pakistan People's Party claimed last night that it continued to have the largest number of seats in both the centre and the Punjab, and could form both governments.

TV politicians vie with sumo and starlets

The sprouting of new parties has meant a bonanza for Japan's producers, writes **Emiko Terazono**

IN between reports of a cocaine smuggling scandal and the latest gossip on a starlet's divorce, Japanese television's Morning Eye now covers policy speeches by Mr Morihiro Hosokawa, the country's new prime minister.

"You can't leave out politics these days," says Mr Katsuyuki Ishimori of Tokyo Broadcasting System, the network that airs the programme.

Political coverage in Japan has traditionally been dominated by the daily newspapers, which kept important disclosures and information to themselves, to maintain cozy relationships with politicians. Instead, TV stories focused on squabbles between factions within the LDP.

But the downfall of the LDP and the sprouting of new parties have created an extravaganza for TV producers and their viewers. "Politics is easier to understand these days. In a way, it has become a show," says Asahi Television, one of the nationwide networks.

It is not just that television has discovered politicians, the politicians have discovered television. Members of the coalition government are putting it to full use in their efforts to present a different image from their predecessors in the Liberal Democratic Party, which held power for 38 years.

In an unprecedented move, Mr Hosokawa gave his press conference with Mr John Major, UK prime minister, in the lush green garden of his residence in central Tokyo last month.

Instead of sitting in front of a desk, the two premiers stood in front of podiums, while Mr Hosokawa pointed to reporters with his pen in the "Bill Clinton" way.

Television also played a leading part in politicking, following dissolution of the parliament in July. Camera crews eagerly followed the members of the new groups splintering from the LDP.

Mr Susumu Yanase, of the New Harbinger Party, was nicknamed "Crybaby Yanase" after he was filmed leaving the LDP headquarters in tears.

Politicians of all camps aired their views and sometimes argued with each other, in public, a stark change from traditional political negotiations held behind the scenes in expensive Japanese tatami-mat restaurants or smoke-filled hotel rooms.

But the excessive campaign coverage ahead of the lower-house elections in July has been blamed for low voter turnout on election day.

"People closely watching politics on television already felt they had participated," one media analyst says. At the same time, the programmes decided the fate of some of the candidates.

Ms Makiko Tanaka, the daughter of Mr Kakuei Tanaka, a former prime minister who fell from grace due to his involvement in a scandal in the 1970s, has been a fierce critic of the media.

However, her recent election as an MP followed a campaign which was covered extensively on television, and she has since become an advocate of TV coverage of politics.

Leading politicians have also begun to use television to float policies. Reporters now sit in front of their TV screens awaiting important comments, and it is quite common for provocative statements on political talk-shows to make the headlines in the daily newspapers.

One of the more controversial television appearances was by Mr Masayoshi Takemura, chief cabinet secretary, who recently expressed support for electoral reform plans during a talk show, which were opposed by the two leading coalition parties. His comments prompted strong criticism from within the coalition, forcing Mr Takemura to apologise to party leaders.

The television networks are owned by leading national newspapers with a wide range of political views, from the vaguely leftist Asahi to the more conservative Yomiuri.

But to appeal to a wide range of viewers, political bias, where it has appeared, has been limited to labelling the new reformist parties "good" and the old LDP "bad".

This, say some critics, is one of the dangers of political coverage by television. Mr Akira Aoki, professor of communications at the Tokyo University of Information Sciences, says that while television has made politics more digestible for the ordinary viewer, it has also tended to over-simplify issues.

"Things aren't that simple, but television isn't able to give in-depth explanation to its viewers," he contends.

Once the political scene becomes stable (and dull), it could lose its place in morning variety shows.

However, with frictions within the coalition government starting to appear, and some younger members of the LDP threatening to quit the main party, politicians may go on holding their place in television along with the sumo wrestlers and the film stars.

China missile total is revised upwards

By David White, Defence Correspondent

CHINA has more than 100 land-based nuclear ballistic missiles, some 50 per cent more than previously estimated, according to figures published by the London-based International Institute for Strategic Studies today.

The IISS says its revised estimate does not imply any recent dramatic increase in the Chinese nuclear arsenal, which has always been "shrouded in secrecy". China is now believed to possess about 14 intercontinental missiles and at least 90 intermediate-range missiles. It also deploys a nuclear-armed submarine.

In the 1993-94 edition of its Military Balance, the IISS cites fears that a new spate of nuclear testing could jeopardise renewal of the Non-Proliferation Treaty (NPT), due in 1995. The IISS points to the build-up in conventional arms by most nations in east Asia. It describes as "worrying" the emphasis on improved capability for naval and air forces.

The IISS highlights Iran's efforts to rebuild its forces with modern aircraft, including Russian MiG-29 fighters, submarines and medium-range ballistic missiles. Iran, like North Korea, is strongly suspected of working towards a nuclear arsenal, but the IISS says no proof exists as yet; "In all probability Iran cannot hope to produce its own nuclear weapons before 2000 at the earliest." But it notes that Iran "is actively procuring weapons systems (aircraft and missiles) capable of delivering nuclear weapons".

IISS, The Military Balance 1993-94, Brassey's, £36.

Teenagers spark Singapore row

THE detention of nine foreign teenagers in Singapore for suspected vandalism has sparked a heated debate over justice, with calls to jail and deport them, Reuter reports from Singapore.

The nine were detained on suspicion of spraying paint on cars and stealing road signs. They include three Americans, a Belgian and a Chinese. All are Singapore residents.

Australian budget block ends

By Nikki Tait in Sydney

THE Australian government finally got a break over its stalled budget proposals, when one of the two minority parties, which hold the balance of power in the Senate, said it would not support an Opposition plan to block all sales and fuel tax rises unless the government withdrew its threat to delay tax cuts.

The promised cuts are due to take effect next month. Ms Cheryl Kernot, Australian Democrats' leader, said the Opposition plan, outlined to the minority parties by the Opposition's Treasury spokesman, Mr Alexander Downer, did not consider the possible effects on the economy.

"The suggestions contained in Mr Downer's letter are cute, but flawed and irresponsible," Ms Kernot said. The Democrats believed the government had the right to get the core of its budget passed.

Two elements in the budget package were voted down by the Senate last week: the proposed increased wine tax, where the Democrats joined forces with the Opposition to block the measure, and a second round of sales tax rises, due to come into effect in 1995, where the vital vote was cast by Mr Brian Harradine, an independent senator.

The government has threatened to delay implementing proposed income tax cuts, which have been approved, unless all its revenue-raising measures are passed. Yesterday, the Australian dollar jumped more than a third of a US cent, breaking through US cents 66, after the Democrats' decision.

NEWS: UK

Measures aim to open up UK telecoms

By Hugo Dixon

A RAFT of initiatives to speed competition in the telecommunications market was unveiled yesterday by Mr Don Cruickshank, director general of Oftel, the industry regulator.

Mr Cruickshank said the measures would enable rivals of British Telecommunications, the former state monopoly, to establish themselves more rapidly. Over the next five years he expected competitors would invest between £5bn and £6bn in the UK – roughly half BT's rate of investment.

The dozen separate initiatives cover issues. Although many measures are technical, Oftel believes that collectively they will make a big difference to the development of competition.

Mr Cruickshank was speaking following an industry-wide forum held on Monday in London to thrash out arrangements for competitors to connect their networks to BT's. The meeting was attended by 18 operators including BT, Mercury Communications, several cable television companies and American Telephone & Telegraph, the largest US telecommunications group. Both Oftel and BT said progress had been made but further discussions on detail would be needed.

Mr Cruickshank said he did not expect strong resistance from BT to his agenda for promoting competition. He said BT had an interest in showing there were no obstacles to fair competition in the UK, not least because of its ambitions to gain access to foreign telecommunications markets.

Some of the initiatives are still under discussion but final decisions on whether to press ahead with the proposals will be taken over the next six to nine months. The main ideas are:

- Interconnection. Oftel is working on determining a standard menu of interconnection charges that competitors would have to pay BT for using its network. It is also considering specifying service levels and technical standards that BT would have to abide by when providing interconnection services.
- Number portability. This would allow people switching from BT to another local operator to keep their numbers. Mr Cruickshank was bullish about pressing ahead.
- Market information. Oftel will publish information detailing market shares in different segments of the industry.

Mr

- Equal access. This would allow customers with BT lines to use the long-distance services of rival operators as easily as BT's services.
- Opening BT's directory inquiry database to competitors.

Ticking off for car advertisements

By Diane Summers

TOYOTA and Renault, the motor manufacturers, have both fallen foul of the UK Advertising Standards Authority over the way they have advertised the speed of their cars, according to the latest report on complaints made to the ASA, published today.

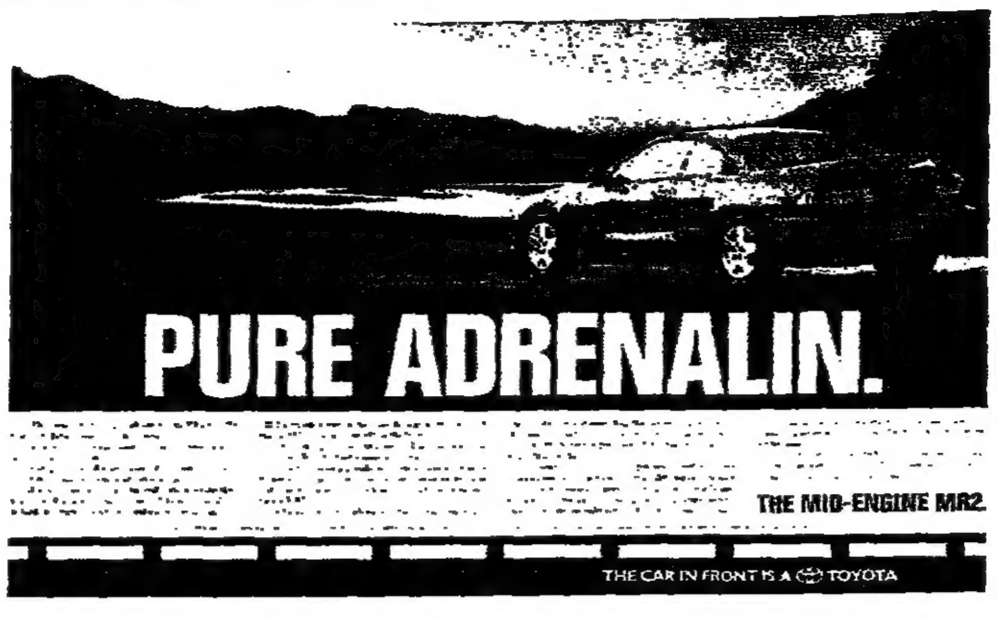
The ASA said complaints about car advertisements were less common than they used to be, following a clampdown by the authority in 1990. However, there was a "blip a couple of months ago," said the ASA, as some manufacturers "appeared to be returning to speed as an advertising platform".

The text of the Toyota press advertisement for the MR2 GT "placed too great an emphasis on fast and possibly unsafe driving," said the ASA. Complaints were made by the Cyclists' Touring Club and by members of the public.

Toyota (GB) said the advertisement (right) showed a stationary car in a tranquil setting, and the text placed more emphasis on other aspects of the car's performance than it did on its speed capability.

A complaint against Renault (UK) from a member of the public, concerning poster advertising for the Renault Clio headlined "The Racing Line", was also upheld. The poster showed a car being driven on a race track ahead of a Formula One racing car.

Renault said its advertisement was intended to increase people's awareness Renault's link with Formula One and was unlikely to encourage emulation.



Ford unions seek 'jobs for life'

By Robert Taylor

TRADE UNIONS representing Ford's 20,000 UK manual workers present their annual claim to the company today, with a demand for "jobs for life".

Mr Tony Woodley, the transport union's auto industry negotiator, hinted yesterday that the unions are prepared to negotiate on the introduction of multi-skilling for workers at Ford in return for a company guarantee of permanent employment security.

But it was unclear last night whether the other unions at Ford, notably the AEEU engineering and electrical union, will support this position.

Despite the recession, Ford has managed to avoid any compulsory redundancies and cut its workforce through natural wastage and voluntary severance. But union leaders are concerned that the company may not be able to continue to follow this policy in the future.

"Our top priority in these negotiations will be job security", said Mr Woodley. He added that all the unions at Ford wanted was what had been achieved at other UK based car plants such as Rover, Nissan, Honda and Toyota.

The unions will also be seeking a "substantial" increase in basic wage rates, and improvements in pensions arrangements.

"Ford UK has a world-class workforce with the lowest labour costs in Europe", said Mr Woodley. "We want to see them have the same wages and job protection that the best has to offer". He added that only Peugeot Talbot paid lower basic wage rates than Ford among auto companies in the UK.

The company is expected to respond to the manual union claim when they meet again on October 28.

'Excessive' rules hit research

THE UK biotechnology industry is seriously handicapped by an "excessively precautionary and unscientific" regulatory regime based on an "obsolete" view of the hazards of genetic engineering, the Lords science and technology select committee says today, writes Clive Cookson.

The committee calls for urgent government action to streamline the UK regulations and relax the European Community directives on which they are based.

The Lords found that regulations were simpler and less demanding not only in Japan and the US but also in some European countries, notably France and Belgium, which interpreted the EC directives less stringently than the UK.

For example, a UK researcher wishing to test a genetically modified organism has to tackle a "bureaucratic nightmare". Whatever the organism – lethal virus or harmless plant – the researcher has to answer 89 questions and pay £1,800 for each release. US researchers face nine questions and no fee.

Dr Peter Doyle of bioscience company Zeneca, said: "The current regime is outdated, unscientific, fails to discriminate in terms of the level of real risk, and is an unnecessary burden."

But Ms Sue Mayer of Greenpeace UK, the environmental lobby group, said: "It is rather alarming that the environment has been set aside in the interests of the industry."

Banks face pollution liability

THE GOVERNMENT has rejected calls by banks to be shielded from the potential multi-million-pound costs of cleaning industrial sites polluted by their corporate customers, writes John Gapper.

Mr Tim Yeo, environment minister, is to tell leading banks today that the government believes they must bear some financial responsibility in cases where they have lent money to companies which pollute the environment.

Mr Yeo will tell the British Bankers' Association that the government does not accept banks' calls for responsibility to fall solely on the polluting company, or on public authorities in cases where the company cannot meet the clean-up costs. He will say that banks are responsible along with polluters and landowners.

The speech follows lobbying by banks to be protected from liability for clean-up costs where they take possession of polluted land, or where they lend money to companies and so might be held to have an influence over managements.

Banks have argued that they may limit lending to companies in some industries if they face the threat of unlimited liability for environmental pollution.

Banks have been particularly worried by the Fleet Factors case in the US three years ago, in which a court held that banks must pay if they had the capacity to influence the policy of a company towards treating hazardous waste.

Names cheered by Lloyd's ruling

By Richard Lapper and John Mason

UNDERWRITING agents from Lloyd's, the London insurance market, could face actions claiming more than £2bn in damages for alleged negligence following a judgment in the London High Court yesterday.

Mr Justice Saville ruled that Names, the individuals whose assets support the market, could sue agents to recover hundreds of millions of pounds in insurance losses.

The judge said that agents have a legal duty to exercise reasonable care and skill when acting on behalf of Names. The ruling was largely expected but nevertheless welcomed by Names.

"This is an enormously important victory," said Mr Michael Deeny, chairman of the Gooda Walker Names Action group the biggest group of loss-making Names. It was the "last major hurdle" for Gooda Names before their case comes to court in April next year, he added.

"It does not decide the outcome of the war but goes along way to determine its strategic direction," said Mr Colin Hook, chairman of the Feltrim Names Association, which represents 2,000 Names who are claiming damages of £600m from agents.

The Names had argued their agents were under a legal duty to exercise reasonable care and skill and perform to the standard of reasonably competent and efficient professional underwriters.

The agents disputed this, saying the contracts between agents and Names excluded such a legal duty.

Giving judgment, Mr Justice Saville said it "literally" went without saying that agents had to act with reasonable care and skill.

He found that members' agents – who handle Names' affairs – were liable for the conduct of managing agents, who administer syndicates.

The agents are considering appealing against yesterday's ruling.

- Lloyd's said yesterday that its liability to the 1989 Exxon Valdez oil spill disaster was $289m, compared with the $1.2bn total claim lodged against it in Texas courts by Exxon.

Chancellor cautioned on Budget tax rises

By Peter Norman and Peter Marsh

MR KENNETH CLARKE, the chancellor, was urged yesterday to think carefully before raising taxes in the November 30 Budget and to be prepared to cut interest rates to offset any tightening of fiscal policy.

In his first meeting with the Treasury's panel of independent forecasters, the so-called "wise men" were divided on the merits of a further fiscal squeeze in the Budget, with several voicing doubts about the wisdom of tax increases.

The panel – reduced to six from the usual seven because of the absence of one member – said the recession in continental Europe had made the UK recovery fragile.

Mr Clarke agreed that the economic situation in Europe was difficult but gave nothing away about his Budget plans.

Yesterday's meeting was a brief, 30-minute affair, sandwiched between discussions between the panel and Prof Alan Budd, the Treasury's chief economic adviser, on the report that the "wise men" are due to publish next Tuesday. It came as Budget preparations are moving into high gear.

The chancellor is chairing meetings this week of the cabinet committee which is struggling to keep public spending in 1994-95 within its pre-set "control total" of £254bn. On Friday, Mr Clarke will be closeted with ministers and senior officials in the government mansion of Dorneywood to discuss Budget strategy.

Yesterday, the Treasury published its monthly monetary report, which noted that recent economic indicators such as manufacturing output, retail sales and consumer confidence pointed to continuing growth.

It contained no clues as to the Treasury's likely Budget judgment. The report will in any case be overtaken by more up-to-date information on inflation, output, employment, government borrowing, retail sales and monetary growth in the next eight days.

Mr Clarke has said he will not decide on taxes before November. It emerged yesterday that some panel members had expressed doubt over whether there should be any fiscal tightening in the Budget.

Another panelist, Mr Andrew Sentance of the Confederation of British Industry, told Mr Clarke that the recent rise in consumer spending might "fizzle out", should the chancellor decide on a tax increase in the next financial year on top of the £6.8bn already announced.

Dublin welcomes approach to Sinn Féin

By Tim Coone in Dublin

THE Irish government yesterday welcomed statements from a leading Unionist in Northern Ireland that under certain conditions Sinn Féin, the political wing of the IRA, would be accepted at the negotiating table.

Speaking on Irish radio yesterday Rev Martin Smyth, the Ulster Unionist MP for South Belfast, said that if Sinn Féin were to deliver a genuine cessation of violence in Northern Ireland the UUP would give Sinn Féin "the recognition that they are a bona fide political party and have a right to take part in a political process, representing those who vote for them.. It is not a question of saying we'll give you this or give you that, that is a matter for discussion when they come to [the negotiating table]". He also said in an earlier interview with the BBC that Sinn Féin should recognise Unionist rights to be part of the United Kingdom.

Mr Albert Reynolds, the Irish prime minister, described Mr Smyth's comments as "positive and constructive" and added "It has always been my view that a cessation of violence would radically transform the situation".

The Irish government continues to guard its silence however regarding the content of the Hume-Adams peace initiative.

After receiving a briefing on the initiative last week from Mr John Hume, leader of the Social Democratic and Labour Party (SDLP), Mr Reynolds said the initiative would be evaluated at yesterday's meeting of the Irish cabinet, and consideration given as to how a peace process could be developed in discussions with the British government.

After the meeting however, a government spokesman had no more to say than that "evaluation is ongoing" and gave no indication whether any proposals are about to made to the British government.

The peace initiative resulting from recent talks between Sinn Féin President Gerry Adams (left) and John Hume (right), leader of the nationalist SDLP, is to be considered by the Irish government

The Hume-Adams initiative appears to be driving a wedge into Unionist ranks, with the Democratic Unionist Party (DUP) reacting angrily to the latest position taken by the Ulster Unionists. Mr Peter Robinson, the deputy leader of the DUP said "Since Sunningdale [the 1973 conference which established an ill-fated power sharing executive without the DUP] no deeper wound has been inflicted upon Unionism than this."

Tory divisions on Europe re-emerge

By Kevin Brown, Political Correspondent

THE CONSERVATIVE party's deep divisions over the European Community re-emerged yesterday as pro- and anti-EC MPs threatened a fresh battle in the wake of Maastricht.

Right-wing Euro-sceptics said they were disappointed by the German constitutional court's decision to allow Germany to ratify the treaty.

However, Sir Teddy Taylor, the rightwing MP, said the government would face a further fight over a bill to increase British contributions to EC finances. He said enough MPs were willing to vote against the government to block the bill, which implements revisions to the EC budget agreed at last year's Edinburgh summit.

The threat of a further battle indicates that the right has not been mollified by the sceptical tone of recent government comments on Europe.

Ministers believe there is little prospect of defeat on the bill, which will be introduced in the next session of parliament beginning next month. But senior ministers concede that the rightward shift in government rhetoric has prompted "rumblings" of discontent among previously loyal MPs on the centre and left of the party.

Pro-Europe MPs were annoyed by anti-EC passages in speeches delivered at last week's Conservative conference by Mr Peter Lilley, social security secretary, Mr David Hunt, employment secretary and Mr Michael Howard, home secretary.

Sir Edward Heath, the former prime minister, said the platform speeches showed a "very nasty nationalistic approach" which was "childish and stupid". He said pro-Europe MPs planned "a major fightback" against the right.

Sir Edward said pro-Europe MPs had helped the government by remaining silent during the passage of Maastricht Bill, but warned: "We are not going to stay silent any longer."

● An attack of flu has forced Mr Michael Heseltine, trade and industry secretary, to delay his return to work. Mr Heseltine suffered a heart attack in June and was expected to return to his desk today after four month's recuperation.

Britain in brief

Thatcher's publisher in legal move

HarperCollins, publishers of Lady Thatcher's memoirs *The Downing Street Years*, plans to seek legal action over the publication of unauthorised extracts from the work in the Daily Mirror newspaper.

Extracts from the book, complete with accurate quotations, appeared in the left-of-centre daily last week in advance of the official serialisation in The Sunday Times.

After elaborate security arrangements, HarperCollins believes the loss of information – whether in the form of a copy, a computer disc or waste pages from the printing process – involved theft. The publisher will try to persuade police that the Daily Mirror and its editor Mr David Banks might be guilty of an offence for receiving such information.

HarperCollins paid Lady Thatcher £3.5m including serialisation rights for the book which will be published in the UK and many other countries on Monday.

US drug group cuts UK jobs

Eli Lilly, the US pharmaceuticals group, is to cut 275 UK jobs in its international rationalisation programme.

The redundancies, which will be voluntary, will be concentrated at Speke, near Liverpool, where 107 of the 834 staff will leave, and Basingstoke in Hampshire where 112 out of 650 employees will go. Research staff at Windlesham, Surrey, will be reduced by about 30. There will also be cuts in the 35 staff at the European headquarters in London.

The UK subsidiary, employing 2,100 staff, had a turnover last year of £224m, and is among Britain's biggest exporters, with overseas sales worth £132m.

Record award for RAF woman

Mrs Deborah Miller, a former Royal Air Force servicewoman, has received a record £33,000 award from an industrial tribunal as compensation for being dismissed by the Ministry of Defence when she became pregnant.

The award means the ministry may have to pay up to £100m in compensation to 4,500 women who have been dismissed from the services since 1970 as a result of pregnancy.

Turner TV channel backed

British National Heritage secretary Mr Peter Brooke yesterday defended the UK's decision to licence Mr Ted Turner's new European satellite channel, the combined TNT-Cartoon Network.

Mr Brooke argued yesterday in a letter to the European Commission that the UK government believed the decision by the Independent Television Commission to issue a licence to the channel was a proper decision.

The channel has been banned from cable networks in France and Belgium because of its American content.

Mr Brooke has told the Commission that TNT-Cartoon network has been informed of its obligations under the EC directive Television Without Frontiers to move to a majority of European content where practicable.

Increase in air passengers

The number of passengers using internal UK flights last month rose 7 per cent compared with September 1992.

Figures from airport operator BAA showed that its seven airports handled 8.1m passengers last month – up 6.4 per cent on September 1992.

In London, passenger levels at Heathrow were up 6.8 per cent, while Gatwick was 2 per cent up and Stansted had an 18.9 per cent increase.

European scheduled, charter and long haul traffic were all 7 per cent up with only North Atlantic numbers – 5 per cent up – lagging slightly behind.

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MANAGEMENT

EUROMANAGERS TO WATCH

A border terrier

Ben Verwaayen of the Netherlands' PTT Telecom welcomes change, writes **Ronald van de Krol**

Ben Verwaayen: "I take every soapbox that I can find"

THE last thing you would expect to find hanging in the office of one of Europe's top telecommunications executives is a McDonald's advertisement. But Ben Verwaayen, president of PTT Telecom, the Netherlands' telephone operator, has enshrined the US company's Big Mac on his wall for a very good reason.

For nearly five years, Verwaayen, 41, has been telling his 33,500-strong staff that if PTT Telecom is to survive in the turbulent, competitive world of international telecommunications, it must be customer-led, not simply technology-driven. "At the end of the day, it's like McDonald's: they don't just sell hamburgers, they sell a service as well." The Big Mac on the wall is a reminder to all that they are, at heart, in a service industry.

"When I came here people were convinced that we sold technology. To me that's really nonsense," says Verwaayen. "No one is interested in opening up a telephone set to look at the circuit boards and admire their quality." What they want, he says, is reliable, quick and imaginative service.

Verwaayen, who came to the job with a degree in law and an extensive background in personnel management, public relations and business development at ITT in the Netherlands, makes no claims to being a technical wizard. "I have two left hands," he jokes. "If I have to change a light bulb at home, I have to call on my wife to give me assistance."

But self-deprecating humour does little to disguise Verwaayen's central role in telecommunications, both at home and, increasingly, abroad.

His company is the main operating subsidiary – as measured by turnover and by profit, not by employees – of Royal PTT Netherlands (KPN), the Dutch state-owned postal and telecommunications authority due to be floated on the Amsterdam Stock Exchange in several tranches starting next year.

KPN, the biggest corporate employer in the country, with a workforce of nearly 102,000, has undergone rapid internal change since it was turned into a limited company in 1989 and allowed to operate at arm's length from the government.

PTT Telecom is also a founding partner of a three-way European joint venture called Unisource, which is designed to enable the telecommunications companies of the Netherlands, Sweden and Switzerland to compete with the industry's giants for the lucrative but demanding business of operating internal communications networks for the world's multinational companies.

Given his role and his company, Verwaayen is closely involved not only in managing a change in corporate culture but also in the art of conducting cross-border joint ventures.

When he arrived at the company in 1988, PTT Telecom was a state agency with a hierarchical top-to-bottom structure. Telephone operators and repair staff were at the bottom of the pile, carrying out duties according to a rule book rather than in keeping with customers' demands.

Verwaayen and his team turned the structure by 90 degrees, emphasising contact with the customer rather than internal bureaucracy. "We now have a front office and a back office, and I'm sitting all the way in the back," he says. "Everyone in the back office is only to be measured by what they do for people in the front office."

Verwaayen's approach to shaking up the company cannot be reduced to any easy formula or any standard method of presentation. "I take every soapbox that I can find," he says.

His message, delivered energetically and often, is that change should be embraced, not avoided, and that everyone in the front office with direct contact with the customer should be an "ambassador" for the company.

Compared with the task of making PTT Telecom a service-orientated outfit, next year's privatisation is expected to have only a minor impact on Verwaayen's management style and priorities. However, Verwaayen, who admits to being blunt, says stock exchange rules on disclosing profit forecasts mean that "I'll have to be more careful about what I say and when I say it".

So far, progress has been made in shaking up PTT Telecom. Verwaayen says the company is halfway through its process of internal reorganisation, and about three-quarters of the way home in changing its business mentality. But more needs to be done.

At the level of individual employees, for example, the results are more mixed. "There's a certain percentage, though less than 10 per cent, which still thinks the old days were better than the present days," he says. "We also have at least 25 per cent of people who think that we are not moving quickly enough."

Of all the decisions he has had to take, the single most important was the agreement to launch Unisource. This had the effect of carving out PTT Telecom's most international business and putting it in a separate joint venture with the Swedes and, later, with the Swiss.

Verwaayen, who spends up to 60 per cent of his time on Unisource-related business, rejects the view that cross-border joint ventures are a recipe for failure, especially if they involve three partners in three different countries.

The key to Unisource's success, he believes, is that the Dutch, the Swedes and the Swiss not only share the same objective but also the same motivation in pooling their international activities for multinationals. Each, he says, is convinced that a joint approach is the only way they can survive and, at the same time, remain the masters of their own destiny.

The arrangement inevitably brings to the fore cultural differences. "The Dutch are not great diplomats. We are very straight-forward," Verwaayen says, noting that the Swedes and the Swiss have "subtle methods" of correcting traditional Dutch bluntness.

PTT Telecom's move to spin off services to multinationals into a joint venture is a serious step for any organisation to take, but Verwaayen believes that his staff have come to accept the step, despite the challenges involved.

Those employees who relished the thought of greater international travel now also realise that decision-making has shifted to a European rather than a national plane.

"I'm convinced that if I were replaced in this organisation tomorrow for one good reason or another, my successor would find an organisation believing in Unisource and working as well with our partners as they do today, perhaps even better," he says.

Adrian Furnham looks at who attends training courses

How to tell a bastard from an ingratiator

Most organisations make some investment in training their staff in management techniques: they either hire training consultants, staff an in-house department or, in addition, send managers on external training courses (often a combination of all three).

The courses come in various packages with different titles. There are the skill-based courses, teaching such topics as negotiation, presentation, social or time-management skills.

Others on offer are developmental workshops, customer-focused programmes and modified business-school courses.

Just as people come to resemble their dogs, so trainers seem to have personalities that fit their courses. The presentation course tutor is immaculate; the customer-driven trainer exceptionally attentive to your needs, and the lecturer for the finance course for non-financial managers highly numerate.

But what about the people who attend training courses? Many experienced, full-time trainers tend to develop simple typologies to describe training course attenders or delegates.

Cabin crew, waitresses, nurses, traffic wardens and all those who deal with the general public as their customers also classify people into different groups (with sometimes unflattering labels).

It is a shorthand to characterise the large numbers of individuals whom they encounter.

These typologies, of course, pigeon-hole. They are prototypes that may never exist in pure form but which amuse the trainers who recognise their generic characteristics.

They refer to the attitudes and behaviours of the delegates. Indeed they may also reflect the delegates' attitudes to their work. The following categories cover the vast majority of individuals:

● The prisoner: the scowl on the face, the arms tightly folded across the chest and the folded letter from the boss or personnel demanding – requiring – that they have to attend the course, characterise this type. They have probably managed to avoid this course, or ones like it, many times before, but eventually are caught. They are prisoners – they do not want to be there and wish they were somewhere else. They are sour, negative, unhelpful and unco-operative.

● The escapee: this type is the course-junkie who jumps at the opportunity to get out of the office. They may hate their work or simply enjoy education and training at the company's expense.

The escapee is usually rather too experienced at course activities, games and questionnaires and may well have done them before.

They are easy to deal with from the trainer's point of view, but not good value for money from the perspective of their company.

● The old dog: there are various reasons why some people believe they cannot be taught new tricks. Some delegates are on-the-job-retirees, in the departure lounge of the organisation. They may be quite a long way from retirement, but they are not interested in learning anything.

Many experienced trainers tend to develop simple typologies to describe those who attend training courses

Others believe courses are too abstract, too theoretical, too vague and have nothing to add to their day-to-day working lives.

● The eager-beaver: this type comes in two forms. The first is the enthusiastic learner, genuinely interested in gaining skills, insights and knowledge. The second is the slightly naive delegate who is happy to take anything on board but has few critical faculties.

This makes them gullible and unfocused, though certainly easy for the trainer.

● The intellectual: whereas the old dog may reject what he has been told because it is too vague and theoretical, the intellectual wants to know the empirical and epistemological bases of the data being presented. Many are snobs who believe that they know more than the trainer (sometimes they do).

These high-flyers may believe either the content or the style is not appropriate for their level. They may enjoy humiliating the trainer if they can.

● The bastard: familiar to UK prime minister John Major, they are arrogant know-it-alls. They usually believe personnel departments should be closed, all consultants fired and the money put into the company's pension fund.

In a curious way, they enjoy courses in the same way that they enjoy meetings, because they have learnt to create the maximum disruption. They may be simple attention-seekers and in some organisations they are intellectually under-powered.

They are a nightmare for trainers because they are solely interested in scuppering or damaging the proceedings.

● The ingratiator: many people are anxious when attending courses because they fear being shown up in front of others. These people tend to be what Americans charmingly call "apple polishers".

The ingratiator tries to do a deal with the trainer: "I will be a good boy/good girl if you don't expose or humiliate me." And for trainers it is a good deal.

Most trainers will probably recognise the above, although they may have rather different categories or titles.

And they also know that different companies tend to have more or less of each type.

Thus the publicly owned bureaucracy probably sends mainly old dogs, escapees and prisoners to courses, while the successful private company may send rather a lot of intellectuals and the occasional ingratiator.

Next time you are on a course, look around the room, and see who's in.

The author is head of the Business Psychology Unit at University College London.

PEOPLE

NatWest bank appoints third deputy chairman

National Westminster has restored to full strength its roster of three non-executive deputy chairmen following the retirement of Tom Frost.

The bank has appointed Sir Sydney Lipworth QC, below,

the former chairman of the monopolies and mergers commission, and one of the founders of Allied Dunbar in 1970.

NatWest's board has been slimmed down from over 30 members by its chairman Lord Alexander since his own appointment in 1989. It now consists of 13 non-executives and seven executives. Lord Alexander said yesterday that Sir Sydney would bring "an invaluable perspective" as a practitioner and regulator.

Sir Sydney, 62, joins two other knights, Edwin Nixon, the chairman of Amersham International, and Michael Angus, president of the Confederation of British Industry, as deputy chairmen of NatWest. He is joining the board immediately following Tom Frost's retirement last month.

Like Lord Alexander, Sir Sydney is a barrister, whose legal training and experience encouraged a no-nonsense approach at the Mergers and Monopolies Commission, which he chaired between 1988 and April this year.

Besides being one of Allied Dunbar's founders, he was also its joint managing director from 1980 to 1984, having previously helped form Liberty Life in South Africa.

Lilliput board increases its size in float build-up

Anthony Simonds-Gooding has joined Lilliput, one of the UK's leading producers of hand-painted, miniature collectable cottages, as a non-executive director.

Lilliput, with a turnover of £13.5m and pre-tax profits of £2m in 1992, plans to float on the London Stock Exchange in November.

Joining a miniature cottage-maker is perhaps an unexpected way for Simonds-Gooding, right, to dip his toes back into public company waters; his previous plc contacts were on a Brobdignagian rather than Lilliputian scale.

With Unilever for 13 years, he joined Whitbread in 1972, ending up group managing director. 1985 saw him join Saatchi & Saatchi as chairman and chief executive; in 1987 he took on the same roles at British Sky Broadcasting, until 1990. Since then, something of a quietus. He became chairman of the Design and Art Directors' Association in May 1992.

Should his move to Lilliput be seen as a step towards much grander things? Maybe.

He describes Lilliput as a "whizzy little company" and says that it "intrigues" him; the company is involved in "the business of brand marketing, and I relish being part of that again."

At 55 Simonds-Gooding is far from retirement, though he is at this stage a little enigmatic: "I am reviewing what I am about; watch this space."

Lancer rides off with new chief executive

Lancer Boss Group, the Leighton Buzzard-based lift truck manufacturer, has strengthened its senior management by going outside the industrial truck industry to appoint Ludwig Schneider as its first group chief executive.

The appointment is an important move for Lancer Boss, one of Britain's biggest privately-owned manufacturing companies.

Lancer Boss is 100 per cent owned by Sir Neville Bowman-Shaw, the chairman, and his brother Trevor Bowman-Shaw, vice-chairman.

Schneider's appointment to the company is the clearest sign yet that Boss is preparing the ground for a new generation of management, 35 years after the two brothers founded the company.

Sir Neville, who is 63, has previously combined the chairman and chief executive's roles, but will now concentrate on broad strategic issues as chairman.

Sir Neville, said the matching of senior management skills to one of the most modern, comprehensive and internationally attractive product ranges would give the group the "drive and management resource it needs well into the next century."

Boss said Schneider would bring his wide experience in the automotive and related industries in Europe and elsewhere. Schneider is in his mid-40s and holds German and Brazilian nationality.

Besides his automotive experience, Schneider has also held senior positions with major consumer goods companies such as Procter & Gamble.

Tilney & Co choose Lessels as chairman

Norman Lessels has added another arrow to his quiver of non-executive directorships by becoming chairman of Tilney & Co, the private client stockbrokers, who resumed an independent existence earlier this month.

Lessels, 55, is a professional non-executive chairman and director. Though he is the senior partner of the Edinburgh chartered accountants Chiene & Tait, his boardroom activities take up 90 per cent of his time.

Lessels' career as a non-executive director began in 1980 when he left the accountants Ernst & Whinney, who did not encourage its partners to sit on boards.

He is chairman of Standard Life, the Edinburgh-based mutual, and of the quoted Scottish companies Cairn Energy and Havelock Europa. He is also chairman of several unquoted companies, and on the boards of Bank of Scotland, Scottish Eastern Investment Trust, BUPA and the Securities and Investment Board. He has never been a rescue chairman.

"My biggest agony is trying to get my diary into shape," says Lessels, a calm, friendly and precise Edinburgh man who went to the Edinburgh Academy, an incubator for the Scottish accountancy and legal networks.

Though Tilney's base in Liverpool is out of his usual area, he says it is convenient for Chester, where he sits on the board of NWS Bank, a Bank of Scotland subsidiary, and for Wilmslow, Cheshire, where he is director of General Surety and Guarantee, an offshoot of Swiss Re.

BUSINESS AND THE ENVIRONMENT

Judy Dempsey reports on the German government's clean-up plans for former Soviet-run uranium mines

A dirty and dangerous legacy

Some of the road signs in deepest Saxony are rusty. But there is no mistaking the route to Wismut, one of the largest uranium mines on the European continent.

Follow the direction leading to the giant, brown mountains of waste dug out from the mines. Then, just a few kilometres before the small town of Aue, turn off and drive along a small road. There, former miners who spent years underground are now working on state-financed job creation schemes, weeding, mending the roads and putting up fresh signs. Before German unification, there was hardly any need for signs. Wismut was out of bounds.

"Wismut was a state within a state," says Jana Bienick, a 29-year-old official at Aue's city hall. "It had its own hospitals, its own kindergartens, its own transport system. It was a system within a system. But not anymore," she added.

"But please, just remember, it was not that bad. There has been a lot of negative propaganda about Wismut. When the press was allowed to come here in 1990, some journalists were afraid to get out of the car in case they would get contaminated. They did not understand that it was not like that at all. We want companies to invest here."

The uranium mines in eastern Germany straddle the states of Saxony and Thuringia. Dating back to medieval times, they provided a livelihood for the local population because they also contained silver deposits. But when the Red Army took control of the former East Germany after the second world war, it was not interested in silver, but uranium, crucial for building up its nuclear capability.

The Soviets were set on tapping the potential of the hydrothermal vein deposits near Aue which contained high percentages of uranium. As a means of seeking war reparations, the Soviet Union confiscated the mines and, in 1947, placed them under a company called the Sowjetische Aktiengesellschaft (SAG) Wismut. Seven years later, Moscow euphemistically created a joint venture in the region, called Sowjetisch-Deutsche AG (SDAG) Wismut. Soviet miners and engineers were moved to the region to supervise the digging of the mines. The Soviet Ministry of Defence issued the instructions.

Wismut was worth the reparations. Between 1946 and 1990, more than 220,000 tonnes of uranium were mined and shipped to the Soviet Union. "That was about a third of the world's production," says Werner Runge, spokesman for Wismut.

Tom Stoddart

A young Wismut resident runs along piles of waste rock which cannot be disposed of because no alternative sites exist

Throughout this period, a top security network, employing 40,000 people, was created. "The entire system was tightly controlled," explains Runge. "Special buses collected the employees to and from work. It was a highly organised state within a state. People's lives were intrinsically linked to Wismut. It is difficult for them now to adapt to the new conditions. Less than 4,500 workers are today employed on the sites. Not to mine, but to clean up."

The task is awesome. As soon as the German government secured control of the mines after October 1990 and closed them down, Klaus Töpfer, the country's environment minister, moved quickly to assess how long and how much it would cost to try to decontaminate, or stabilise, the sites.

Under Soviet control, the waste rock from the mining was normally piled outside mine-shafts, with little effort made to replace it into the exhausted mine volumes.

The waste rock contains small but significant amounts of radioactive, unprocessed low-grade uranium. Vast piles can be seen near Aue: 42 of them cover an area of 310 hectares and a volume of 45 cu m. At the Ronnenburg site in Thuringia, the amount is even larger – 100 cu m of waste.

The federal authorities have embarked on a massive two-stage investment programme totalling DM13bn (£5.2bn). First is an attempt to level off the high piles to avoid mini-avalanches. The piles cannot be disposed of due to their size and because there are no suitable alternative sites in this fairly densely populated area.

Plans also include creating channels to run down the piles to prevent rainfall seepage and contamination of what remains of the uncontaminated water supply. Progress so far has been remarkable. More than 30 hectares have been recultivated. Although no vegetables fit for human consumption will be grown, some grass and plants have been sown.

The second stage of the programme is more difficult. When digging in mines stops, the water levels, contained during the mining through pumping, rise. The underground water in Wismut is contaminated so the authorities have to be careful to avoid further contamination by flooding.

Dietmar Rosmej, an engineer who worked at Wismut until all mining was stopped in late 1990, says this task is vast. "As part of the programme, we have to prevent any fresh rain water coming into contact with the underwater levels." The government estimates it will take 15 years to stabilise the region.

The inhabitants of Aue have mixed feelings about the clean-up. Some regret the loss of job security. "The closure of Wismut means very high unemployment," says Michelle, a mother on a job creation scheme at the city hall.

Others are almost defensive about the past 40 years. "Oh, well. We were born here. We worked all our lives here. It was OK. We had everything we wanted," says Heinrich, a technician who is helping with the clean-up at Wismut.

But most agree that the closure will mean a healthier and safer environment for the next generation. One official at Wismut reckons more than 8,000 people have serious health problems, particularly cancer, from working at Wismut.

Even those who did not work directly with the mines were affected, as the contaminated underground water levels seeped through the cellars of houses. "Some homes will have to be specially insulated," says Runge. Yes, it was pretty bad at times. But now we have to look towards the future."

In the bag in Tokyo

Changes to rubbish collection rules have caused uproar, writes **Emiko Terazono**

When Eiko Fukagawa, a 40-year-old housewife in Tokyo, turned on her television last August, she was surprised to see an unfamiliar advert with a film star shaking a translucent rubbish bag, telling viewers about new rubbish collection rules due to begin this month. "At first I didn't quite understand what it was about," she says.

Fukagawa was not the only one confused by the sudden changes. The Tokyo metropolitan government's decision to enforce the separation of combustible and unburnable waste using translucent bags, has caused such an uproar among residents, retailers and plastic manufacturers that city officials have been forced to postpone the changes until January.

The new rules, which require rubbish to be thrown away in semi-transparent bags approved by the metropolitan government, apply to the 3.4m households in Tokyo's central 23 wards. In order to burn easily, the polyethylene bags must contain 30 per cent calcium carbonate. Initial plans also required residents to write their names on the bags.

However, the unexpected announcement and rumours that rubbish thrown away in bags other than the designated type would not be collected, caused panic buying of translucent bags, triggering shortages at supermarkets. Amid the confusion, some households were visited by door-to-door salesmen claiming to be Tokyo metropolitan government employees, trying to sell translucent rubbish bags at high prices.

On October 1, only about 10 per cent of the rubbish was thrown away in the designated bags. The confusion was such that Shunichi Suzuki, governor of Tokyo, had to apologise before the city assembly. "The Tokyo government is to be blamed for the short notice over the rule changes," he said.

Many people are still unhappy at having to pay double the price of the ordinary plastic rubbish bags for the designated ones. And the requirement to label the bags with residents' names drew so many complaints from people who saw the rule as an invasion of privacy that it was abolished.

Retailers still hold stocks of black plastic and paper rubbish bags and manufacturers are unable to catch up with the demand for the new translucent ones.

Other Japanese cities which have implemented similar changes in rubbish collection rules have owed their success partly to starting their promotional campaigns one or two years before their implementation.

The Tokyo government, which started publicising the changes in mid-August, admits that the campaign period was too short. "We now realise we need time to make people understand the purpose of the changes and to allow retailers and manufacturers to get rid of their inventories," says a spokesman at the Tokyo sanitation bureau.

However, the spokesman adds, the tumult has brought Tokyo's rubbish problem to the centre of everyone's attention. "Awareness of the seriousness of the situation needs to be raised," he says.

Having seen a sharp increase in rubbish during the economic "bubble period" of the late 1980s – last year's Tokyo garbage total was 4.5m tonnes – the city's existing waste landfill will be full in two-and-a-half years. A new landfill, planned for the Tokyo Bay, is expected to last only 20 years.

The Tokyo sanitation bureau says that Tokyo's unburnable waste contains 20 per cent combustible rubbish, increasing the bulk of waste put into landfills, while its burnable waste contains 10 per cent unburnable rubbish, which decreases the burning efficiency of the incinerators. By making people use translucent bags, "they will be more responsible for their rubbish," says the bureau.

The new rule is also expected to protect Tokyo's rubbish collectors, who face a high risk of being injured by broken glass and bamboo skewers in the bags.

Over the next three months, the city government intends to increase its campaign activities, and explain to residents what is burnable and what is not. The city intends to collect "incorrect" rubbish for a while after it implements the rule changes in January.

Meanwhile, the city's sanitation bureau faces a challenge from plastic bag manufacturers, who are unhappy with the rule changes.

"We weren't even consulted," says the Japan Polyolefin Industry Association, which says many of the smaller plastic bag makers may be hit by the shift in new requirements.

"Making the designated polyethylene bags containing calcium carbonate means capital investment, which is hard for smaller makers already facing hard times due to the bad economy," says the association, which officially handed in a complaint to the Tokyo metropolitan government last week.

The association is also challenging Tokyo's notion that the bags containing calcium carbonate will burn more easily than traditional polyethylene bags. It contends that since the designated bags are thicker than the usual polyethylene bags, the amount of heat needed to burn them does not differ radically.

Mr Hamono, a Yakuza godfather, with his clan and fighting Tosa dog

Television/Patricia Morison

Mellowed up for kicks

Last week's viewing taught me a new usage for the word "mellow". On *Teenage Kicks* (BBC2, 8.00), young teenagers explained that "mellowing up" is one of the agreeable states of mind they achieve from doing drugs. "Mellowing up" also perfectly captures the goal sought by millions of adults at least once a day as that first icy campari or warm claret courses down their gullets.

The much-publicised statistic was that 50 per cent of teenagers have experimented with an illicit drug. It came from an unpublished Manchester University survey of 750 teenagers in the north-west of England, starting-point for the documentary. But is this figure really so alarming? As a pleasant-sounding young lass of around 15 told the interviewer, "Everyone's tried everything." Her ambition was to go into the police force.

What is youth if not the time to experiment? Clearly, more youngsters today do drugs than in my generation, and unlike us they have access to a veritable cocktail-cabinet of the stuff at very cheap prices; £2.50 for a tab of LSD, cannabis for two nights for £1 a head. What one really needs to assess is, how serious are the possible consequences?

Kids interviewed on the programme were adamant that they would not be graduating to "dirty", addictive drugs. They take pleasure from feeling that they are in control of potentially hazardous substances which they pick and mix with a sophistication not so far removed from a wine-connoisseur planning what will be served at dinner.

One of the film's themes was that drugs have always elicited an hysterical response from the older generation. These days, politicians find the demonic image of the drugs is particularly welcome since it is more convenient to blame rising crime on drugs than to fend off the suggestion that high youth unemployment is the key factor in increased burglaries and muggings.

If it is true that 50 per cent of young people take drugs "as casually as their parents drink or smoke", does it matter? Reading this column will be bankers, publishers, doctors, and barristers, people who themselves were once teenage drug-takers. It is interesting to reflect how different things might have been if they had they been caught.

Nowadays, the police let off many people caught with drugs; in 1991, [illegible] per cent of drug offences were dealt with by cautions. One of the many unsatisfactory aspects of the current situation is that it gives the police too much leeway to discriminate over which kid with cannabis they prosecute – Wykehamist or Walthamstow black.

The only reference to class background and drugs was an academic's vague observation that "people from middle-class homes turn up in the statistics". The real risk to teenagers' health was another topic skirted round rather than addressed. We heard that "every weekend" sees drug tragedies at a Manchester hospital: how many are teenagers and what have they taken? Similarly, how real a risk is dehydration for the frenzied dancers at all-night parties, swallowing "uppers" and Ecstasy at £15 a go?

Even so, this was a strong programme which will surely have nudged some viewers nearer the notion that government needs to engage with the question of liberalising drugs. As another good documentary, BBC 2's *Assignment: The War on Drugs* recently showed, it is an opinion increasingly common in Europe and the US, and argued by some policemen here. At the very least, *Teenage Kicks* showed that for adults to base their views about drugs on complacency, double-think and ignorance, is no use as a response to teenagers' natural desire to mellow up of an evening.

For a lesson in how not to edit a documentary you needed to watch two documentaries on Thursday: the week's instalment of *The Dog's Tale* (BBC2, Thursday) and C4's *Critical Eye: Proud Arabs and Texas Oilmen*. Both programmes were quite extraordinarily disjointed, leaping from subject to subject and, in the case of the latter, chucking images together in an infuriating way. This was a pity because both had interesting material.

The Dog's Tale investigated the spiritual significance of the dog across cultures. A Siberian tribe merited only a brief appearance because of their interesting but unphotogenic custom of sacrificing huskies. The Dalai Lama was interviewed in a humorous mood, wondering whether because one of his dogs has no sex drive it suggested that it was a reincarnated monk.

The programme continually veered between two fascinating films, one of which was the opposing attitudes to the dog held by Zoroastrians and Moslems in Bombay and the other was dog-fighting in Japan. One moment we were watching a Zoroastrian boy being ritually washed in bull's urine. The next we were with Nobaharu Hamono, godfather to a clan of Yakuza, Mafia-style mobsters, watching Tosa dogs fighting in a forest near Tokyo.

Tosa dogs were an unexpected result of contact between western missionaries and the Japanese in the last century. In the second world war, Tosa fights entertained troops at the front line. Now Tosas amuse Yakuza bosses, who will spend as much as £1 million each on holding a tournament. Rules are strict and dogs lose if they make as if to copulate – another clue, perhaps, to the past life of the Dalai Lama's dog?

"The last people to deal properly with proud Arabs are Texan oilmen like Bush and Baker, impatient men", ruminated Lord Healey in the C4 documentary about the Gulf War and the effect on Iraq of sanctions. Lord Healey cast doubt on the US official figure of the casualties as being between 75,000 and 120,000, quoting instead a figure of 75,000 just for civilian casualties. Lady Olga Maitland stoutly maintained that the war was "a job well done."

The film's thesis was that the US bullied, bribed, ignored the UN, and that there was no moral justification for the war. Oddly, it overlooked the claim for Iraq's nuclear capability and it also left Israel quite out of the picture. However, its principal weakness was in a bombardment of images which were often dubiously relevant and hackneyed to boot. The narrator had an exceedingly boring voice.

From almost the first line spoken in Mark Lawson's play, *The Vision Thing* (BBC 2, 925), I thought we were in for a bad do. As the Tory prime minister (competently acted by Richard Wilson) walked to the podium to address the party conference, his party chairman (hammed up by Derek Jacobi) muttered "Let's hope he gets their clitoris." And Lawson thinks that is *funny*?

It might sound like an obvious recipe for success; Lawson, a journalist, writes a satirical play about politics. Think of Swift, one of the greatest satirists in English literature, who laboured for years as a parliamentary sketch writer. Aha, but *Tale of A Tub* or *Gulliver's Travels* were fantastical and wildly inventive. Lawson's play was simply a rehash of all the Tory party's scandals and mishaps of recent years, material well and truly done to death by every comedian and punning headline-writer.

After a brief flash of passable invention – the PM hearing the voice of God – the play reversed into a sputtering imitation of the bonfire of the vanities. Its structure was incoherent. Press secretary Mark Fisher (Nathaniel Parker) starts out as narrator of the God-plot, but then becomes just another character in the second story, how as a young foreign secretary he is brought down by newspaper revelations of his extra-marital affair. Jokes about relations between the Tories and the Press had a deadly knowingness. Next time Mr Lawson writes a play, the vehicle for his satire should preferably be something he knows nothing about. Might I suggest Tosa fighting?

Theatre/Malcolm Rutherford

Keyboard Skills

The Bush Theatre has many virtues but is not normally a load of fun. This week it has thrown-off its sackcloth and ashes and gone up-market with a sprightly comedy about junior ministers in the Conservative Party. Moreover, *Keyboard Skills* does not even sneer at the Tories in their misfortunes. At times, it is a bit of a sentimental weepie.

The keyboard skills are not those of the piano. They belong to the typing-room. There used to be a woman, played here by Marcia Warren, who trained young girls to become secretaries, indispensable to their boss and perhaps one day becoming his wife. Trouble almost invariably followed, of the kind you read about in the newspapers every other day.

True, much the same thing happens in the Labour Party but, without saying so directly, *Keyboard Skills* is unmistakeably about the modern Tories. Watch (it would be hard not to) the immaculate performance by Deborah Findley as the girl in question. She is well-dressed, well-coiffured, relatively efficient, patient, forgiving and totally well-meaning. Only when it comes to the mind, which it does not very often, is there something lacking: it is not her fault that she has not been properly educated. She wants her man and will protect him. But the man, through a mixture of vanity and ambition, lets her down. Even then she may stick by him.

After so many real-life stories, there is a danger of parody. *Keyboard Skills*, written by Lesley Bruce, who learned her own skills while working at the BBC, avoids the pitfalls. As the wife of the junior minister, Ms Findley is an altogether stronger and more interesting character than her husband. Yet Jonathan Coy, as the minister, is not entirely caricature in the way of (say) *Spitting Image*. He wants a Cabinet job in the next 18 months, then one that really matters before the general election, and who knows what might happen after that? He might even become – he does not say the next two words, but we know what he means. This is quite close to the bone.

Of course, he gets into trouble. Do not expect a David Mellor story. The plot is much cleverer than that. Do not expect an attack on the media either. The newspapers are simply a power in the background. They never pounce and indeed never appear. The minister leaves his bag unattended in a pub in Bromley, rather as the late Richard Crossman (how the social nuances change) once left his papers behind in Pruniers in St James's Street. It is the minister's bag that is taken by the police for an IRA device, though it turns out that there is a real one as well.

There are some lovely twists. If the junior minister seems less than a Tory patrician, he is nothing like such a creep as the young Tories coming up. Early in the play, with a set cunningly designed by Robin Don, we have a peep into the minister's wardrobe. It contains several dinner jackets and about 10 suits in varying shades of grey. The younger MP, aspiring to become a junior minister and whose surname is Compton-Miller, wears a bright blue cummerbund and tie to match.

Wardrobe matters. Almost the best scene in the play comes when Ms Findley opens her own. It is very extensive: from Gucci to the Scotch House, everything that the wife of an ambitious Tory MP could need – "stylish without being showy", "sexy without being tarty". The descriptions go on as, one by one, she throws her costumes to the floor. An impressive array of shoes remains unflung.

This is a much better political play than David Hare's *The Absences of War* at the National Theatre: livelier, more contemporary and avoiding moralising. If it has a message, it is Tory feminism. The piece is directed without a single fault by Geraldine McEwan. Yet one should be wary of talking about transfers. The production is designed for the small stage which is probably where it should stay.

Bush Theatre, (081) 743 3388

Alastair Muir

Jonathan Coy and Deborah Findley as minister and wife

Music in London

Modern Czech music goes 'underground'

A celebration of Czech music such as the London South Bank has mounted – the three-week-long "Czech Festival", now halfway through its course – is bound to follow a well-marked route-map. Dvořák, Smetana, Janáček, Martinu, Suk: these are the obvious attractions of the Czech musical landscape, and there is no sense in not paying all of them properly dutiful attention.

But, all to their credit, the series organisers have attempted to round out the experience by dotting in a few less frequently-visited stopping-points on the schedule. The programme of operas associated with the Terezin concentration camp (on which John Allison reported last Saturday) was one such. Another was the Monday-evening recital by Agon, the Prague-based new-music ensemble, just ten years old and paying here its first British visit.

This was a snatch of Czech cultural history in demonstration. From the start, Agon's declared "underground" outlook and taste for the gamut of postwar Western modern-music styles and pursuits were evidently much frowned on, turning the composers who wrote for the group into a sort of Prague musical "salon des refusés". Even now that political changes have led to the dismantling of the country's state-dominated musical machinery, it remains (one gathers) obstinately outside the Prague musical scene.

Monday's programme, a showcase of some of the wildly varied musical manners Agon have been investigating, explained why. Indeed, the concert provided a good deal more illumination into Czech cultural politics in the dying years and then the aftermath of Communism than actual listening pleasure. Whether by intention or design, the outlook seemed to be as much purgative as exploratory: with the exception of the opening work, Jan Rychlík's *African Cycle* (1961), a rather delightful short outburst of naive-primitivist energy, everything that followed was designed to Stretch Horizons with a vengeance – and with a problem for the listener for whom these particular horizons may have been stretched to breaking point.

In Zbynek Vostřák's *Secret Fishing* (1973), this involved Stockhausen-ish doodlings for four separate instrumental groups. In Rudolf Komorous's *York* (1967), it meant post-Dadaist whimsy. Peter Graham's *Get out of whatever cage you are in* (1992) was a noisy happening on (as the title suggested) John Cage-style chance-principles. Martin Smolka's *Rain, Roofs* (1993) slammed out a series of chords which were then allowed to disintegrate, at wearisome length.

The cacophony of *The Fire is Mine* (1993) by Petr Kofroň, Agon's conductor, eventually drove me out of the hall: the point of this anarchic exercise in noise-for-noise-sake was plain enough – but it was clearly intended for an audience entirely different from Monday's venturesome Purcell Room handful.

Max Loppert

A cool Russophile

The pianist Nicholas Walker – early mid-30s, one might guess, and just starting to acquire a reputation – made his Wigmore Hall debut on Monday, with a boldly obscure but fervently Slav-oriented programme. The only non-Slavic composers, Beethoven and Liszt, were represented by inspirations from eastward: a polonaise and variations on a Russian dance from the one, arrangements of Russian songs from the other.

But my real reason for going was that Walker is engaged in recording (for ASV) the complete piano *oeuvre* of Balakirev, including three pieces in this recital. Nobody else has "done" Balakirev yet. My conviction is that among piano-composers Balakirev was a great minor master; and that a rediscovery of him, long overdue, should give unexpected pleasure to a lot of music-lovers. So, as a closet Balakirevite I have a keen interest in how his piano music may fare now. He wrote just as many – more than 40 – fine, undiscovered songs as well, but we shall have to wait; some of them require brilliant pianists too.

It was Balakirev who established the "Great Five", or "Mighty Handful" of Russian nationalist composers: himself, Mussorgsky, Rimsky-Korsakov, Borodin and the now-forgotten Cui. None of them had any formal Western training, but Balakirev had been a practical musician from his earliest years, long before Glinka made him his *protégé* in St. Petersburg. His only piano teacher was a pupil of John Field (who invented the "nocturne" before Chopin), and he learned the mid-19th century piano repertoire thoroughly – Hummel, Field, Schumann, Chopin, Liszt. From that, he developed his own fastidious, sparkling piano idiom, which demands strict digital clarity, a wide stretch and plenty of *élan*.

Walker proved to be the nearest thing to a natural Balakirev performer that I have heard in a long while. When Western pianists go Slavophile, it is nearly always through seduction by Skryabin (Chopin carried to visionary extremes), Rakhmaninov (restless passion, sumptuous noise) or Prokofiev's grittily athletic sonatas. Except for the lusty *Islamey*, his only well-known piece, Balakirev was a world and almost a generation away from that. Walker's own programme-note called him "a Russian cocktail of Chopin, Liszt and the Orient", but more could be said: his music is tidily intricate, poised and lucid, with an exotic scent but scarcely a superfluous note.

Too often modern virtuosi deliver *Islamey* with heedless vulgarity, at grave cost to its best musical effects. Walker's heart and fingers were in very much the right place for Balakirev – roughly a century ago, with all the apposite period-finesse. Candid passion is not his forte: shorn of that, Rakhmaninov's op. 33 *Etudes-Tableaux* sounded like bleak, fascinating, experiments into the surreal. His Liszt and early Chopin were elegantly calculated, where a dose of extrovert charm would have been a useful bonus.

In Walker's scrupulous Balakirev, however – the sixth Mazurka, the second Nocturne and a Glinka fantasy – we wanted no more than another degree or two of thrustful *élan*. He played the Mazurka so searchingly as almost to forget its essential lilt. On the forthcoming CDs, what will he make of the towering exuberance of the superb Sonata finale, the winsome glitter of the last Waltzes and the Tarantella, the racing chiaroscuro, the marvellous squib "La Fileuse"? Given Walker's sympathetic strengths, and with no other competitors in the field, the question pleads for a happy answer.

David Murray

INTERNATIONAL ARTS GUIDE

■ BONN

Oper Fri: Otello with Vladimir Atlantov and Renato Bruson. Sun: Valery Panov's choreography of Prokofiev's ballet Romeo and Juliet. Repertory also includes Lortzing's Der Wildschütz, Cav and Pag, Salome and Werther (0228-773667)

■ BORDEAUX

Ballet-Théâtre de Bordeaux presents two programmes over the next week at the Grand Théâtre. The first, consisting of choreographies by Paolo Bortoluzzi, can be seen on Fri, next Mon and Wed. The second programme, devoted to works by Balanchine, can be seen on Sun, next Tues and Thurs (5648 5854)

■ COLOGNE

Opernhaus Tonight, Sat: James Conlon conducts Willy Decker's new production of Yevgeny Onegin, with Boje Skovhus and Adrianne Pieczonka. Fri: Cosi fan tutte. Sun: revival of Billy Budd with Boje Skovhus in the title role and Victor Braun as Claggart (in repertory till Nov 27). Next Wed: L'incoronazione di Poppea (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, Sat, next Mon: choreographies by Balanchine, Lander and Laerkesen. Tomorrow: Carmen. Fri: Drot og Marsk (King and Constable), historical opera by 19th century Danish composer Peter Heise. Oct 23: first night of new production of Peter Grimes (tel 3314 1002 fax 3312 3692)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight: Ariadne auf Naxos. Tomorrow: Heinz Spoerli's production of La fille mal gardée. Fri: Hansel and Gretel. Sat: Rigoletto. Sun: Giselle (0211-8908 211). Duisburg Theatre has La boheme tonight, Arabella on Sat, and Reimann's Kafka opera Das Schloss on Sun and next Tues (0203-3009 100)

■ FRANKFURT

Oper Tonight, Fri: ballets by William Forsythe. Tomorrow, Sun, next Wed: Sylvain Cambreling conducts Peter Mussbach's new production of Wozzeck, with Dale Duesing and Kristine Ciesinski (in repertory till Oct 31). Sun: Il barbiere di Siviglia. Tues: Hans Zender conducts Ensemble Modern in Schoenberg. Oct 25: revival of Cosi fan tutte (069-236061)

Alte Oper Tonight, tomorrow, Fri: Dmitri Kitaenko conducts Frankfurt Radio Symphony Orchestra in works by Beethoven, Liszt and Brahms, with piano soloist Kei Itoh. Sat, Sun (Hindemith Saal): Chinese marionette theatre. Sun morning, Mon evening: Cristian Mandeal conducts Frankfurt Opera Orchestra and Chorus in Mendelssohn and Liszt. Sun evening: Günter Wand conducts North German Radio Symphony Orchestra in Bruckner's Eighth Symphony. Tues: Irish Folk Festival (069-1340 400)

■ GOTHENBURG

Stora Teatern Tonight, Fri, Sun, Tues: Orpheus in the Underworld. Tomorrow, Sat: Robert North's new ballet The Russian Story, music by Tchaikovsky and Shostakovich (031-131300/031-136500)

Konserthuset Tomorrow and Fri: Heinz Wallberg conducts Gothenburg Symphony Orchestra and Chorus in Bruckner's Ninth Symphony and Te Deum. Next Tues: Julian Bream guitar recital (031-167000)

■ HAMBURG

The main event this week at the Staatsoper is the first night on Sat of Günter Krämer's new production of Götterdämmerung, conducted by Gerd Albrecht with a cast led by Gabriele Schnaut, Siegfried Jerusalem, Matti Salminen and Günter von Kannen (repeated Oct 20, 24, 27, 31). Schnittke's ballet Peer Gynt, choreographed by John Neumeier, can be seen tomorrow, Fri, Sun, next Mon, Tues and Thurs (040-351721)

■ LYON

Louis Erlo's Offenbach adaptation, Des Contes d'Hoffmann, is revived tomorrow at Opéra de Lyon, with five further performances over the next two weeks. The cast is led by Daniel Galvez-Vallejo, José van Dam, Gabriel Bacquier and Isabelle Vernet. Maguy Marin's production of Coppelia is revived next Wed. Both productions are conducted by Kent Nagano (7200 4545)

■ MUNICH

EUROPAMUSICALE

Throughout October, orchestras from 31 European countries are visiting Munich as part of a festival aimed at giving a sound picture of Europe's cultural diversity. There are concerts every day, mostly at Gasteig. Tonight: Jiri Belohlavek conducts Brno State Philharmonic Orchestra in works by Janacek, Martinu and Dvorak, with piano soloist Igor Ardasev. Tomorrow: Iceland Symphony Orchestra. Fri: Jukka-Pekka Saraste conducts Finnish Radio Symphony Orchestra in Sibelius and Bartok, with piano soloist Olli Mustonen. Sat: Riccardo Chailly conducts Royal Concertgebouw Orchestra in works by Theo Verbey (b1959), Weber and Richard Strauss. Sun in Prinzregententheater: Istanbul State Symphony Orchestra. Mon: I Flamminghi play works by Belgian composers. Tues: Kiev Symphony Orchestra plays Ukrainian music. Oct 24: Gothenburg Symphony Orchestra. Oct 25: Royal Philharmonic. Oct 28: Vienna Philharmonic (089-4809 8614)

BAVARIAN STATE OPERA

Tonight: ballet mixed bill, choreographies by Uwe Scholz, Nils Christe and Balanchine. Tomorrow, next Tues: Salome with Mara Zampieri and Ekkehard Wlaschiha. Fri, next Mon and Wed: Michael Boder conducts revival of August Everding's production of Penderecki's 1991 opera buffa Ubu Rex, with Robert Tear and Doris Soffel. Sat: La traviata with Julia Varady and Francisco Araiza. Sun: John Cranko's ballet The Taming of the Shrew (089-221316)

OTHER EVENTS

New York Harlem Theatre begins a run of Porgy and Bess tonight at Deutsches Theater, daily except Mon (089-5523 4360).

Gärtnerplatztheater has a new production of Rossini's The Thieving Magpie opening on Sat (089-201 6767). Gwyneth Jones and Poul Elming sing extracts from Wagner operas in a Bavarian Radio concert on Sun at Gasteig (089-4809 8614). This month's repertory at Residentheater consists of new productions of Shakespeare's The Taming of the Shrew, Ibsen's The Wild Duck and Chekhov's The Cherry Orchard (089-225754). Kammerspiele has Dieter Dorn productions of Shakespeare's King Lear and Aeschylus' The Persians (089-2372 1328)

■ STOCKHOLM

Konserthuset Tonight: Nils-Erik Sparf and Bengt Forsberg play violin sonatas by Norwegian composers. Fri: Michael Schoenwandt conducts Collegium Musicum in a Beethoven programme, with piano soloist Alfred Brendel. Next Tues: Inger Södergren piano recital (tickets 08-102110 information 08-212520)

Royal Opera Tomorrow, Sat, Mon: choreographies by Balanchine, Christe and Cullberg. Fri, next Tues: Tosca (tickets 08-248240 information 08-203515)

■ OSLO

Konserthus Tomorrow and Fri: Kurt Sanderling conducts Oslo Philharmonic Orchestra in works by Mozart and Brahms (2283 3200)

■ STUTTGART

Staatstheater Tonight, Sat, next Thurs: Otello. Fri: Hans Zender's new opera Don Quijote de la Mancha. Sun: Parsifal with Tony Krämer, Wolfgang Schöne and Eva Randova (0711-221795)

■ STRASBOURG

● Kenneth Montgomery conducts Strasbourg Philharmonic Orchestra tomorrow at the Palais de la Musique in a programme including symphonies by Mozart and Beethoven (8852 1845)

● Friedrich Haider conducts Tobias Richter's new Opéra du Rhin production of Rigoletto, opening at Théâtre Municipal on Sat and repeated on Oct 18, 20, 22, 24, Nov 2, 4, 6, 8 (8875 4823)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
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Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

A fool's wise words

Mitterrand and Havel have taken different roles on the European stage

There was more than a whiff of history about last weekend's summit of the Council of Europe in Vienna. Parallels were drawn between the "concert of Europe" established at the 1815 Congress of Vienna to keep the post-Napoleonic peace, and this Council of Europe whose 32 members were meeting to try to define a post-cold war European order.

At least, that's what the more visionary among them thought they *should* be doing. Others may have had a more limited view of what it was all about. The council can hardly claim to be one of the main centres of power in today's world, or even today's Europe. It does not deal with military or economic matters, and neither the US nor Russia is a member (though Russia has applied to join). Their representatives were cleared from the room, along with other riff-raff such as the presidents of Albania and Croatia, not to mention myself, after the opening speeches and before the "working session" began.

Officially, the summit had serious work to do. It had to streamline the control machinery of the European Convention on Human Rights, and to agree on ways of protecting national minorities. In reality all that had been done before it started, in months of negotiation among officials. The summit itself was a series of set-piece speeches, most of which were distributed to the press.

Two speeches made a particular impression on those who were privileged to hear them – both made by presidents who have been central figures on the European stage but no longer enjoy the reality of power in their own countries. The summit, an occasion for sounding alarms and setting guidelines rather than detailed horsetrading, might have been tailor-made for them.

Indeed, it was tailor-made *by* one of them, for the summit had been François Mitterrand's idea. The French president's speech – 35 minutes without a text – seemed to some of those who heard it like the final *homily of a patriarch to his* wayward children. As paraphrased by the well-briefed reporters of Le Monde, the French president "described the tormented, incomplete landscape of the greater Europe – with fragmentation, dislocation, war on one side, and on the other a multiplicity of institutions with only a partial vocation, none of them capable of giving structure to the whole".

The EC, he pointed out, has a very high entrance fee, and "cannot, in the foreseeable future, open its doors to all". As for the Conference on Security and Co-operation in Europe, it is "everyone and no one", said Mr Mitterrand. "Who has ever seen their security protected by it?" Apparently he did not mention Nato, but he hardly needed to. Delegates had only to return to their hotel rooms and switch on CNN, to see President Bill Clinton struggling to extricate the US from Somalia while reporters quoted White House officials as saying the chances of the US committing troops to keep the peace in Bosnia were now greatly reduced.

I bet his first draft said 'we shall all go to hell', or words to that effect

So, in Mr Mitterrand's view, there is a need for some new structure to fill the vacuum. Could not the Council of Europe become its "embryo"?

Mr Vaclav Havel spoke next. His speech had been translated, printed and distributed hours before, but it was a devastating riposte – not only to *Mr Mitterrand but to all the* west European leaders present. He denounced "the erroneous belief that the great European task before us is a purely technical, a purely administrative, or a purely systemic matter, and that all we need to do, therefore, is come up with ingenious structures, new institutions and new legal norms and regulations ... without the negotiating partners ever attempting to change anything in themselves and in the habitual motives and stereotypes of their behaviour.

"Twice in the 20th century," the Czech president went on, "the whole of Europe has paid a tragic price for the narrow-mindedness and lack of imagi*nation of its democracies*" – first when they retreated before Nazism and second when they "allowed Stalin to swallow up one half of our continent". And now, he warned, "I am afraid a third such failure is threatening us. I am not only thinking of the caution and indecision that mark the attitudes of the developed part of western Europe towards the post-communist countries. I am thinking as well, and above all, of how they have behaved so far in relation to what is going on in Bosnia and Hercegovina, and in the whole of the former Yugoslavia...

"If various western states cannot rid themselves of their subconscious drive for a dominant position in their own sphere of interests, if they don't rid themselves of their self-centred protectionism and stop trying to outwit history by reducing the idea of Europe to a noble backdrop against which they continue to defend their own petty interests, and if the post-communist states do not make radical efforts to come to terms with the ghosts their newly won freedom has turned loose, then..."

Then what? A presidential speechwriter must have intervened, for Mr Havel concluded rather weakly: "then Europe will only with great difficulty be able to respond to the challenge of the present and fulfil the opportunities that lie before it". I would bet you anything his first draft said "we shall all go to hell", or words to that effect.

Mr Havel, of course, is a playwright, not a politician. And the part he has written himself, in the latest act of Europe's long-running tragedy, is that of the fool. One diplomat compared his Vienna *speech to "farting in church"*. But in Shakespeare, and perhaps in other playwrights too, the fool often proves the wisest member of the cast.

Mr Papandreou has to take tough action to improve Greece's economy, says **Kerin Hope**

Blasts from the past

A glow of nostalgia for Greek voters helped propel Mr Andreas Papandreou, leader of the Panhellenic Socialist Movement, back to power in this week's general election. Now he has to find a way of matchinging the increases in living standards that Greeks enjoyed when he was prime minister between 1981 and 1989.

After running an election campaign in which he pledged to fight for full employment, lower inflation and a lasting "social contract" between employees and companies on wage levels, Mr Papandreou has to square his ambitions with Greece's deteriorating *economic circumstances – particularly* its escalating debt.

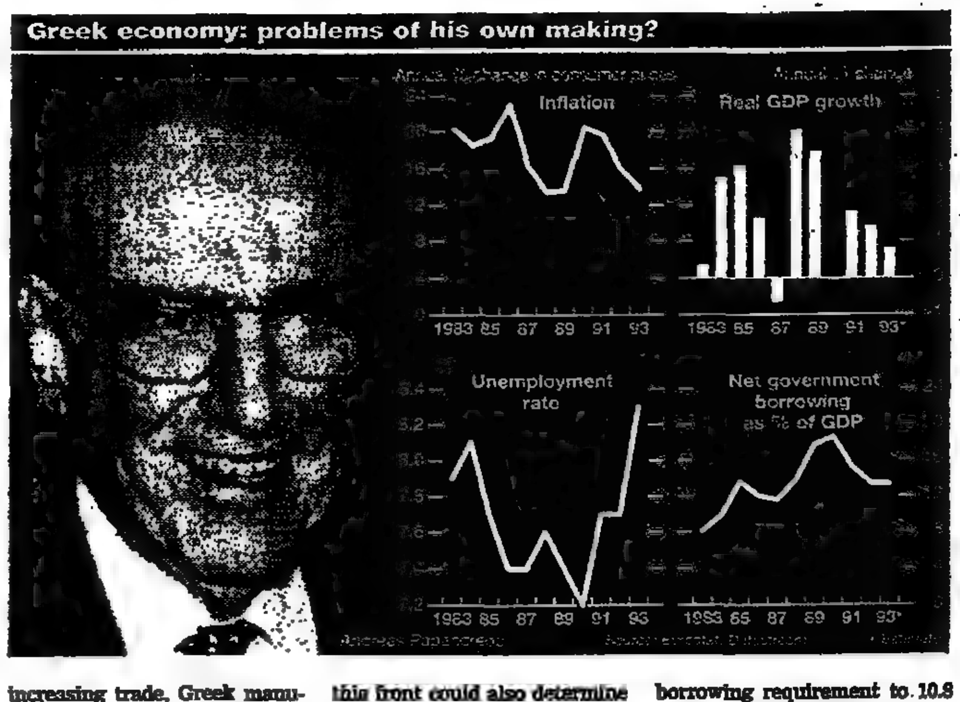
Efforts by the outgoing conservative New Democracy party to implement far-reaching structural reforms – including the ending of price restrictions, liberalisation of labour laws and strengthening of competition policy – deepened Greece's recession in the short term. The official GDP growth forecast for this year remains 1 per cent. What buoyancy there is can be found in the black economy, which, by some estimates, accounts for 40 per cent of national income.

Voters appear to have held Mr Constantine Mitsotakis, former Conservative prime minister, responsible for this state of affairs. His approval rating in the campaign never exceeded 25 per cent.

The origins of Greece's current problems, however, lie mainly in Mr Papandreou's last term in office. The effects were hidden as Greece benefited from large grants from the European Community, worth about $2bn a year through most of the 1980s. But, while such inflows helped the agricultural sector and boosted consumer spending, confidence among investors in Greek industry fell off sharply.

A principal cause was Mr Papandreou's decision in 1983 to nationalise Heracles General Cement, Europe's largest cement exporter, and one of Greece's biggest private-sector companies. The move appeared to lack rational explanation and was seen by many as a sop to the radicals in his socialist party. The result was to alarm investors.

Direct investment from overseas in Greek manufacturing and service industries totalled no more than $2bn in the 1980s, *against $6.5bn in similar-sized* Portugal, according to OECD estimates. Although membership of the EC from 1981 offered opportunities for



Andreas Papandreou

increasing trade, Greek manufacturing shrank during the decade, competitiveness fell and exports grew only modestly.

The travails of manufacturers, however, did not dissuade the socialist government from extending the welfare state, by raising pensions and indexing public sector wages to inflation. In addition, the number of public servants increased in the 1980s by more than 40,000, or about 10 per cent. With spending exceeding economic growth, Greece's public sector borrowing requirement jumped from 5 per cent of GDP in 1980 to 20 per cent in 1990.

The consequences of his last term of office will fill Mr Papandreou's in-tray as he returns to government this week. The New Democracy party tried to increase tax revenues and to cut civil service numbers, but made little headway. The pressures on Mr Papandreou for such reforms *are just as compelling – partic*ularly if Greece is to come close to fulfilling the economic convergence criteria of the Maastricht treaty. Progress on this front could also determine Greece's eligibility for future EC structural assistance.

Though Mr Papandreou is an economist, the signs are he may not give the economy his full attention. His health is poor; a heart condition restricts his working hours. Mr Papandreou prefers foreign policy. He has also to hold together a party which is given to disputes between radical and moderate wings.

His ability to indulge different factions is limited, however, as his party, Pasok, has endorsed the Maastricht treaty's ambition of European economic and monetary union, although it envisages Greece taking longer to meet EC targets than its conservative predecessor in office.

The conservative government managed to reduce the inflation rate from 20.4 per cent in 1990 to 12.8 per cent last month. By draconian curbs on public spending – *including threats to sack chief* executives of state corporations who awarded wage increases above a pre-set level – it also cut the government's borrowing requirement to 10.8 per cent of GDP last year.

But these achievements still leave Greece a long way off Maastricht targets. Accumulated debt, currently equal to about 120 per cent of GDP, is double the 60 per cent envisaged under convergence criteria. Debt raised on domestic financial markets has increased particularly rapidly to fund government spending. Interest payments on this debt will rise next year by almost 30 per cent to Dr3,000bn ($12.5bn), equivalent to 16 per cent of GDP. That means the government will have to raise an extra Dr300bn every month from sales of treasury bills.

"Greece has a huge amount of debt, more than many Latin American countries in the 1980s. It was able to go on borrowing because of being an EC member," says Ms Miranda Xafa, economic adviser to Mr Mitsotakis.

Additional pressure on Mr Papandreou *comes from* an expected shortfall in tax revenue this year of about Dr800bn, caused by the recession and over-optimistic forecasts in last *December's budget*. Moreover, he is committed to cancelling Greece's privatisation programme, so ruling out about Dr330bn in privatisation receipts this year.

One alternative for Mr Papandreou would be to reduce debt charges by cutting interest rates, now at about 20 per cent on a one-year Treasury bill. But the risk would be large-scale outflows of capital as investors sought higher returns elsewhere.

The socialist government may feel obliged to take radical steps that previous governments have shied away from: making big cuts in public spending, eliminating civil service jobs, and curbing tax evasion in the black economy.

In the heady days following his election victory, Mr Papandreou has not given any details of his economic policy. The precedents only underline the difficulties before him. The conservative government tried to boost efficiency at tax offices. But the finance ministry believes attempts to make life more difficult for tax evaders have been inhibited by corruption among tax officials.

Trimming the public sector payroll proved virtually impossible, despite the conservatives' promises to the EC that 60,000 jobs would be cut between 1991 and 1993. Mr Mitsotakis says that, over the period, one person was hired for every three who retired from the civil service. But his claims are not supported by the government's economic advisers and it is far from clear whether the 60,000 target is even close to being achieved.

Yet the rewards for returning Greece's economy back towards steady growth, with public spending under control, would be substantial. The EC is set to provide up to Ecu20bn for infrastructure projects over the next six years. If competitiveness can be improved, there is also scope for increasing earnings from overseas and trade; the conflict in former Yugoslavia has not blocked Greek access to markets elsewhere in the Balkans and in southern Russia and Ukraine.

But though there is no formal link, political decisions on allocating EC funds may be affect by perceptions among member states about whether Greece is committed to economic reform. Mr Papandreou may also find it more difficult to convince investors that good times lie ahead, than the voters who elected him on Sunday.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Snags in cutting red tape

From Mr J D Rimington.

Sir, In so far as your leader, "Cutting red tape" (October 11), refers to industrial health and safety legislation, you misconceive the problem.

The "radical idea" of government setting out general regulatory objectives instead of detail has governed our whole approach for 20 years, but now needs applying in other regulatory areas, together with more risk assessment and a cost-based approach – of which we are also the main regulatory pioneer in the UK.

But there are three snags. First, much new EC-based legislation has been unnecessarily prescriptive despite our best efforts in negotiation. Second, industry demands guidance from the regulator, both on good practice and on what general provisions mean. Such guidance obviously includes detail, which is often given unduly prescriptive weight in civil litigation, or paraded as "law" by safety contractors or less reputable safety consultants. Finally, many small businesses express a clear wish for detailed as opposed to general guidance.

All of these issues are being addressed in the Health and Safety Commission's current fundamental review of health and safety regulations.

John Rimington,
director-general,
Health and Safety Executive,
Baynards House,
1 Chepstow Place,
Westbourne Grove,
London W2 4TF

Advertisers oppose ITV concentration

From Mr Kenneth Miles.

Sir, Louis Sherwood, chairman of HTV (Letters, October 6), brought out some key points which undermine the lobbying by certain ITV companies to get changes in the takeover rules. He pointed out that there is now a clear majority of ITV companies rejecting ownership rule changes.

What is surely equally important is that a large majority of advertisers – the companies which fund ITV – oppose changes in the ownership rules. The reason is clear: advertisers know that viewers will continue to be more loyal to ITV if they have confidence in the regional company serving them – not a large conglomerate with no real local identity. Also, advertisers do not want to see new cartels and monopolies develop within the ITV system when we have only just got rid of the old monopoly structure, which did so much harm. I hope very much that ITV will take note of the views of their customers.

If there are economies to be made – and we are extremely doubtful about the imaginary £100m savings – then it is the duty of the ITV companies to remove this cost now, and invest the sums saved in programmes or in better dividends to shareholders. But these savings are probably a myth since we all know "big is beautiful" is a doubtful argument.

Let us remember, if we want to see competition and choice in ITV, as in broadcasting generally, it would be foolish to allow ITV to merge into a small number of groups, dominated by a few large ITV companies.

Kenneth Miles,
director-general,
Incorporated Society of British Advertisers,
44 Hertford Street,
London W1Y 8AE

Security still lures first time buyers

From Ms Kaylene Eastwood.

Sir, As a future first-time buyer I noted with great interest the article on the long-term view of the housing market ("The long view" October 9). I agree that a home is not a prime money-making asset in today's climate but I do not agree that there will necessarily be a shortage of first-time buyers in the late 1990s and early 2000s.

The reason that I will buy into the housing market in a few years' time is because I feel that owning a house will give me far greater security in later life than renting a house. With this in mind I feel that the market for first-time buyers will continue to prosper under a much "wiser" generation.

Kaylene Eastwood,
Newbold College,
Binfield,
Bracknell, Berkshire RG12 5AN

Work harder is only option in US and Europe

From Mr Frank C Wilson.

Sir, Thank you for providing excellent information on business in Europe. Problems of unemployment and potential growth are clearly very challenging.

I have just finished an assignment in a textile operation in Europe. Some key data are:

- Total wage costs per hour: (Europe) $21.25, (US) $10.25, (Mexico) $2.
- Benefits as percentage of total wage: 44, 22, 40.
- Percentage absent from job: 10-20, 2-4, 1-3.
- Approximate employee hours worked per year: 1,490, 1,860, 1,940.
- Plant operating hours per year: 5,150, 8,400, 6,000.

North American and European personnel at all levels are going to have to go back to work – fewer holidays, and benefits with more flexibility. There are not enough technology jobs with high pay to provide employment for everyone who wants such a job.

New plant, property and equipment is so expensive that plants must have the capability of operating 168 hours per week for 52 weeks per year with little overtime. No business can forecast customer demand with sufficient accuracy, so personnel and other resources must be shifted about for best operations.

High-cost nations, including the US, must change. Otherwise, growth and employment will be shifted to low-cost countries.

Frank C Wilson,
president,
International Management,
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Gainesville,
Georgia 30503-1213, US

Singapore privatisation share offers no different from those in UK

From Mr Abdul Aziz Mahmood.

Sir, Contrary to your report, "Singapore goes all out to turn its citizens into share owners" (October 5), the Singapore government is not "urging the public to go on a share-buying spree". It is encouraging Singaporeans to own shares as long-term investments and take a direct stake in Singapore's prosperity and success.

*Nor is the government grant*ing "considerable incentives to those who put their money into the stock market". It is specifically offering a limited number of Singapore Telecom (ST) shares to each citizen at a 45 per cent discount when the company is privatised. This is no different from what the British government did when privatising companies like British Telecom and British Petroleum.

You said that "Singaporeans have been bombarded by state-sponsored television and newspaper advertisements describing the virtues of share ownership". The public education programme accompanying the ST flotation is smaller, in proportion to the size of the issue, than similar programmes in overseas privatisations, for example British Telecom.

You pointed out correctly that there is no guarantee ST will thrive after it is listed. This depends on the quality of its management and its ability to exploit rapid economic, technological, and regulatory changes in the telecommunications industry.

But the government is not forcing anyone to buy ST shares. The investing public, within and outside Singapore, will assess ST's prospects and decide what its shares are worth.

Why should Singaporeans blame the government for offering them a discount off the fair market price of these shares?

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Wednesday October 13 1993

Karlsruhe's sound ruling

POSSIBLY THE most remarkable feature of the European Community's Maastricht treaty is the profusion of contradictory opinions it inspires among both backers and detractors. The plan at the centre of the treaty, for economic and monetary union by the end of the century, was once vilified by a British cabinet minister as "a German racket designed to take over the whole of Europe". Yet the same plan is opposed by a majority of the German electorate, according to opinion polls, on the opposing grounds that it represents a ploy by Germany's EC partners to take over the D-Mark.

Yesterday's approval of the treaty by the Karlsruhe constitutional court clears the way for Germany to become the final EC state to ratify Maastricht. Since Germany is not only the EC's largest member, but also possesses its hardest currency, any worthwhile form of Emu cannot take place without its participation. The main uncertainty amid the many ambiguities of the Maastricht process – whether Emu will take place at the end of the 1990s, or at all – has, as expected, not been resolved.

The court made clear that Emu's original "irreversibility" – a notion to which Chancellor Helmut Kohl himself at one stage gave some support – is no longer credible. "With ratification of the [European] union treaty, Germany is not subordinating itself to an unclear and automatic mechanism towards currency union which it cannot steer," the court said yesterday. Since hopes that Emu could take place according to the Maastricht timetable had already been set back by recession and currency unrest, this ruling, however, was little more than a juridical statement of the obvious.

Democratic principles

Considerably more important – and greatly to be welcomed – is the court's clarification of the procedures under which Germany would transfer to planned supranational institutions some elements of decision-making which at present are held nationally. These procedures relate in particular to the extension to the proposed European central bank of the monetary powers wielded by the Bundesbank. Such a shift, the court ruled, could be made only under conditions which conform to the democratic principles of the German constitution, under which state power is held to emanate from the German people.

The German parliament has already made clear during ratification that, before the D-Mark could be subsumed into a single currency, it would closely vet the conditions. This examination, it now appears, will relate not simply to the ability of Emu applicants to meet the Maastricht economic performance criteria, laying down which states should make the first move *towards* a single currency. More widely, parliament will be under the obligation to ensure that European integration meets standards of legislative transparency and accountability which the German people legitimately require to be upheld.

Focus of discord

How these safeguards will be maintained remains unclear. The proposed participation in European law-making of the Bundesrat, which represents the interest of the German Länder, could become a focus of discord with Germany's EC partners.

Mr Kohl has long urged increased powers for the European parliament as part of his original demand – rejected at the 1991 Maastricht summit – for monetary union to take place in step with the much more vague concept of political union. Although yesterday's ruling rejected any formal linkage between monetary and political union, the issue of giving the Strasbourg parliament more muscle will remain firmly on the German government's agenda.

The main message from Karlsruhe is that the process of European integration will suffer further setbacks unless it retains the consent and consensus of European electorates. The unpopularity of the Maastricht treaty displayed in opinion polls and referendums around the continent during the last 18 months illustrates how this consensus has been in short supply. By reminding the Community of the need for democratic and constitutional checks along the route to European union, the Karlsruhe court has not made the path any easier. But it has given politicians strong and wise guidance on how eventually to reach the destination.

An attack on the voluntary sector

ORGANISATIONS IN Britain's voluntary sector now play an important part in the delivery of a wide range of public services. In health, social services, housing and education, charities compete with public bodies, quangos and private companies to provide essential services. Some are now big players in the internal markets which have been established throughout the public services.

A report published yesterday by the Home Office suggests that providing public services undermines charities' claims to a distinctive role in society. It argues that those which take the government's shilling are no longer voluntary organisations, and have surrendered their independence and freedom to campaign. If they want to earn money by providing services, the report concludes, they should lose their charitable status, together with the tax reliefs that go with it.

Certainly the role of charities is changing in the new social market economy. Yet charities which provide public services are arguably doing nothing more than returning to the principles of their founders. Before the arrival of the welfare state, many social services were provided by voluntary bodies such as Barnardos and the Children's Society. Charities' return to these tasks reflects a growing understanding that the welfare state cannot satisfy all the demands of society.

Powerful lever

The big difference is that today's services are largely paid for by taxpayers' money. Before the welfare state, it was charitable donations that provided the income. Accepting public service contracts inevitably constrains a charity's ability to criticise the paymaster openly. But it offers the opportunity to influence government decisions from within. And the threat to withdraw noisily from public service contracts because of unacceptable policy decisions can be a powerful lever of persuasion.

The Home Office report suggests that campaigning work should be divorced from service provision. This might be a sensible choice for charities which find government contracts inhibiting their freedom to challenge the social order. But to prescribe this divorce for all charities would be to sacrifice an important link between campaigning activities and charities' ability to provide services. It is often the campaigning of the charity which makes people willing to work voluntarily or less expensively for it in the first place.

Indeed, it is precisely their ability to mobilise volunteers and augment taxpayers' money with charitable donations that makes charities such valuable organisations. As life expectancy increases, there will be a growing demand for the personal care services. Willingness to fund such services through taxes is unlikely to rise commensurately. Expanding the input of volunteers will be essential in meeting the demand.

Community's benefit

This is something which charities are well placed to organise. In an increasingly wealthy society, paid work is often unnecessary for people who have taken early retirement or left employment for family reasons. Charitable organisations offer such people an opportunity to use their skills for the community's benefit.

Volunteering also offers much to those who are involuntarily outside employment. The government has run several schemes that encourage unemployed people to become involved in community projects. Apart from the social benefits, these schemes encourage their participants to maintain their work skills and remain in contact with the world of work. So long as it is not simply a question of displacing jobs from one employer to another, more could be done to encourage voluntary work in return for benefits.

The Home Office report raises valid questions about the purpose of charities and their role in society. But in proposing that charities receive rewards for good contractual performance rather than by virtue of their charitable status, it would risk turning charities into little more than government agencies. The best charities are innovative, flexible and cost-effective. The tax benefits of charitable status and the risk of the odd subsidised broadside are an acceptable price to pay for such an asset.

A challenge to pole position

Britain's magnetic appeal to overseas investors, once unparalleled in Europe, is under threat, writes Michael Cassell

Mr Douglas Farrar is a rarity in Redruth, Cornall: "I'm the only Yank businessman down here. But the family has been made very welcome, even if we don't speak proper English."

As managing director of the European subsidiary of Contico International, a Missouri-based manufacturing group, Mr Farrar is responsible for the company's £4.3m investment in the Cornish town. His factory opened a year ago to make a range of plastic household products for sale across Europe; the plant is cramped and within two years the 71-strong workforce should rise by more than half again.

Contico had considered other European locations. But in spite of worries that British workers would reject a 24-hour-a-day production regime, the comparative ease of setting up shop, generous grant aid and the English language – notwithstanding any transatlantic variations – gave Redruth the edge.

But if 36-year old Mr Farrar feels isolated he can take comfort from the ranks of expatriate managers like him, supervising the colossal sums which foreign investors have injected into the UK's industrial base during a period of unprecedented inward investment activity.

News that Mercedes-Benz, traditionally a hallmark of German engineering excellence, is actively considering Britain as the site for its planned small car manufacturing plant has caused considerable excitement in Whitehall.

But there is also concern in industry and government that Britain's best days as a magnet for industrial investment may even now be over; foreign investment, which has helped supplement the damaging domestic shortfall in home-grown manufacturing capacity and technological skills, could increasingly be directed elsewhere.

A study by the Centre for Economics and Business Research in London underlines the importance of foreign direct investment. It concludes that nearly one-fifth – more than £40bn – of the £220bn invested in UK industry in the past five years has come from overseas. The percentage of foreign-owned assets in the UK in relation to its total net assets – not including oil and financial services – now approaches 20 per cent. Five years ago, the figure just topped 13 per cent.

Of all non-EC companies with operations in the Community, nearly 40 per cent of them have opted for the UK. Both the US and Japan, the biggest external investors in European industry, have invested more in Britain than in any other EC country.

Last year, according to the Department of Trade and Industry, overseas companies initiated another 303 projects in Britain, aided by £100m of regional grants. The electronics, automotive, food and service sectors have proved the most active; the inventory of foreign investments so far involves 3,500 US, about 1,000 German and more than 200 Japanese manufacturing businesses. Overseas-owned companies provide some 16 per cent of all UK manufacturing jobs.

In spite of the political debate over whether Britain's success in winning foreign investment is rooted in its alleged "sweatshop economy" or in more positive characteristics such as deregulation and low corporation taxes, the UK appears to have left the European competition standing.

But are things set to change?. While global recession has inevitably cut from its 1990 peak the level of inward investment, the fear is that other pressures might permanently undermine Britain's success.

According to Mr Howard Davies, director general of the Confederation of British Industry: "The task of attracting inward investment on the scale we have seen in the past five years will become increasingly difficult." Mr Davies' prediction seems safe, with some of the biggest investors refocusing their overseas activities. The US, which makes one-third of all its European investments in the UK, could be looking much closer to home.

"The US preference for the UK is changing," says Mr Martin Gerra, president of Global Affiliates, the Washington-based international business consultancy, and a former manager of international economics at International Business Machines.

He says that closer trade links between the US, Mexico and Canada, even before ratification of the North American Free Trade Agreement, will give rise to a big increase in cross-border investment. "Over time, US investment in Europe, relative to total foreign investment, will inevitably decline."

Japan, the second largest investor in the UK, remains keen to invest in a country offering an EC foothold and which Japanese companies say has been welcoming and supportive. But the rush of activity which has made Japanese names commonplace on industrial estates in towns such as Telford could be over.

"Japan had a lot of catching up to do, which led to their investment boom," according to Prof Douglas McWilliams, formerly chief economic adviser to the CBI and founder of the Centre for Economics and Business Research.

"In 1981, only 4 per cent of its assets were overseas, against 30 per cent for the US. But big Japanese companies have moved fast to raise the figure to an average of 15 per cent and now the pace has slowed. The UK will remain popular with them but investment is likely to decline over the next few years."

A study by accountants Coopers & Lybrand concludes the UK also risks losing out on further, high-quality foreign investment. Mr Vince Taylor, one of the authors, says: "The UK could be squeezed during the remainder of the 1990s between higher cost, but more centrally-located competitors within the EC, and the emerging economies which can undercut our cost base and which now appear able to match the UK in terms of quality."

Though there is no evidence that inward investors are more likely to close down plants than local owners, companies are also intensifying the search for economies of scale as the European market becomes less fragmented. For example, CPC (UK), subsidiary of the US food group, recently announced a switch in production of Knorr brand soups and stock cubes from Scotland to France and Italy.

"Where you close down will be as important as where you open up," emphasises Mr David Rees, head of Ernst & Young's European location service: "There could be good, strategic reasons for siting second and third investments away from the first." Britain's position, he emphasises, is not helped by its continuing image as a less than wholehearted EC member, though ratification of the Maastricht treaty might help allay such perceptions.

Dr Wilfried Vossen, managing director of Plant Location International, the Brussels-based location consultancy, offers another view: "If not signing [Maastricht's] social chapter means Britain's cost structures continue to provide a competitive edge over many of its European partners, then its record on inward investment should be safe."

Competition to attract inward investment looking for a home within Europe is also escalating, with the number of investment promotion agencies working on behalf of regional authorities and local councils multiplying. Coopers & Lybrand calculates agencies worldwide have doubled in five years.

Mr Christopher Priston, director of the Invest in Britain Bureau, an arm of the DTI, claims it is "still easier to put up a brass plate in the UK" than in most EC countries. But some such as France – previously giving low priority to attracting overseas investors – are working hard to make up lost ground.

Mr Priston, whose bureau handles 4,000 inquiries annually on everything from the incidence of earthquakes to membership of exclusive London clubs, warns that Britain must "continue to improve transport infrastructure to help compensate for its location in Europe and also to raise skills training".

Britain will also have to be demonstrably supportiveto companies which have already set up shop. According to Prof McWilliams of the Centre for Economics and Business Research: "You cannot underestimate the importance to inward investors, particularly the Japanese, of feeling the government is prepared to bat on their behalf." With some new investors into the UK privately complaining of being feted before their arrival, only to be promptly abandoned afterwards, the IBB is now contacting 1,000 established foreign companies to see it can help solve any problems they may have.

A decision by Mercedes-Benz to choose Britain would inevitably be greeted by politicians as further proof of Britain's magnetic lure to world-class manufacturing companies.

Potential new investors, however, will not like being trampled in the rush by those anxious to win their favours. The mere prospect of Mercedes making cars in Britain led initially to an unco-ordinated scramble by companies and organisations to help secure the deal.

"Mercedes would be a real propaganda coup and we cannot afford to shoot ourselves in the foot," says a DTI minister. "It would give a very timely boost to an inward investment programme which we cannot allow to falter."

The sun rises and rises

The daily "chokai" sessions for the 500 blue-jacketed employees at the Scottish manufacturing plant of OKI, the Japanese electronics company, have been upbeat affairs in recent months, writes Michael Cassell.

The morning meetings, intended to enable everyone to participate in running the company, take place against a background of growing order books and higher production.

OKI arrived in Cumbernauld in 1987 after a long search to find a European operating centre for its manufacturing, sales and research and development. The company, founded more than 100 years ago, had looked hard at Spain, France and Germany, according to Mr David Ennis, director of personnel and corporate affairs.

It chose Cumbernauld mainly because of the availability of skilled workers, good infrastructure and communications, as well as modest regional grant aid, which was helpful but not critical in reaching the decision. "The golf courses might have helped a bit as well," Mr Ennis concedes.

An initial investment of £20m – spent refurbishing a 500,000 sq ft factory, one of Scotland's biggest – has grown to £32m with a decision to install specialist plant to make electronic components for Honda's new Swindon car plant.

From Cumbernauld, OKI supplies its entire European customer base with an expanding range of products.

This customer base is now expanding following a decision to use Cumbernauld to service the US with some products. Rising Japanese manufacturing costs have prompted the company to switch to Cumbernauld the production of some dot matrix printers for export to the US. About 100,000 printers a year will be made and shipped from Scotland, instead of Japan, helping to safeguard local jobs and boost exports.

It is a similar story at Yamazaki Machinery UK, the Worcester-based machine-tool manufacturing subsidiary of Japan's Yamazaki Mazak. Last year, it won a Queen's award for its overseas sales efforts.

Yamazaki's UK operation has invested £40m at Worcester since arriving six years ago, making it Britain's biggest machine-tool maker. It sees itself as a European business serving mainly European markets: 85-90 per cent of output is sold outside the UK.

The company employs 270 people and calculates that it indirectly supports a similar number of jobs among local suppliers. It was attracted to the cathedral town by availability of labour, a mature supply base and the English language. It also received help worth more than £5m from the DTI, then available to companies implementing flexible manufacturing systems.

Yamazaki had no initial complaints about quality of materials, but unreliable deliveries were a problem. Now, partly thanks to Yamazaki publicising the plant suppliers' performances, 93 per cent of parts are supplied on time.

Mr John Maund, deputy managing director, says efficiency levels are high and pay is in the "medium rank" for manufacturing.

Yamazaki stages an annual bonfire party on vacant land it owns alongside its Worcester plant. But the venue may eventually have to change: Mr Maund does not doubt future investment will fill the site.

OBSERVER

Early bird awaits worm

If this year's Nobel prize winners were to seek any tips from their immediate predecessors, the advice would surely be to press for the lolly quick.

Last year's laureates were spectacular victims of Europe's autumn currency crisis. Their awards, each worth SKr6.5m, were announced in October, but had shrunk by about 15 per cent in dollar terms by the time they were paid in December, following the November flotation of the Swedish krona.

The latest recipients have been told that their prizes, worth SKr6.7m, will again be paid in December. Now worth a third less against the greenback than before the flotation, the krona is still tending to slither southwards.

At least yesterday's winners, Robert Fogel of Chicago University and Douglass North of Washington University, should understand, for they are both economic historians.

They are also upholding a tradition, for American economists have now swept the board for four years running, with the University of Chicago featuring each time.

Self-effacing panel chairman Assar Lindbeck, the Stockholm University economist who earlier this year led a benchmark study on the precarious state of the Swedish economy, even went on to admit that the American dominance of the subject extended into new economic history.

The last non-American to win was Norwegian econometrist Trygve Haavelmo, whose reaction to the announcement in 1989 was to mutter his disapproval of prizes before disconnecting his telephone and retreating to his country cottage. Contrast Fogel, who was called by Stockholm at 5 am Chicago time with the news of his honour. Already in his office, he whipped up the telephone on the first ring.

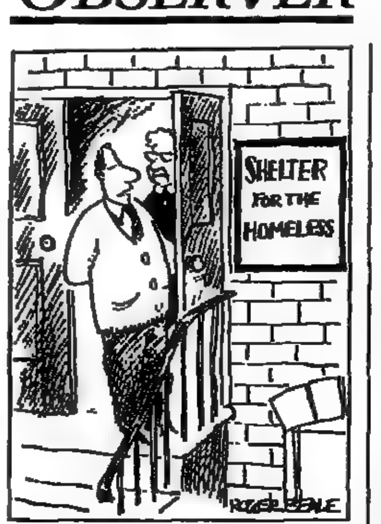
Nine points?

A City lawyer and bibliophile was browsing among the second-hand bookstalls in Farringdon Road when a little tome, Oxford Essays on Jurisprudence, caught his eye. Imagine his surprise when he opened the volume to find an exchange of letters between Balliol College, Oxford and Robert Maxwell, dated September 1965.

The then senior tutor, Donald Harris, first notes his satisfaction at the completion of negotiations concerning the political fellowship the new Labour MP was about to endow.

It continues: "When you dined at Balliol you expressed an interest in the enclosed volume, particularly the essays on Ownership and Possession."

The new owner of the letter remarks on how the great man's memory of that particular chapter must have dimmed a little when it came to the Maxwell company pensions.



'Here they come – the usual pathetic mixture of single mothers and *Lloyd's Names*'

Pike landed

■ Last Thursday Francis Pike dropped in for a board meeting of Drayton Far Eastern Trust, before heading to Chelsea register office to wed Lady Annabel Goldsmith's daughter, India-Jane Birley. Pike's new boss, Philip Tose, chairman of Hong Kong-based investment bank Peregrine Securities, flew in for the day to be best man.

Without further ado, Pike left for Bombay, where he has 10 weeks before opening the doors of a joint venture between Peregrine and Indian tobacco company ITC.

Pike had spent the last 14 years at fund managers Invesco, 24 per cent of which is now held by Peregrine. When management upheavals at Invesco a year ago made his position uncomfortable, Pike, who has spent much of his time in the Far East, took a call from his old friend Tose.

Having created Hong Kong's largest independent merchant banking group in under five years, Tose's ambitions now stretch to repeating the success story throughout Asia.

With the help of close associate Li Ka-Shing, lack of capital is not one of Tose's problems. Peregrine last year sunk $30m into South Korea in another joint venture, with commodities giant Dongbang.

ITC, meanwhile, rejected several British merchant banks in favour of the Asian partner for its foray into financial services.

An adaptable sort, 39-year-old Pike spent his first three months in Tokyo living in a Zen Buddhist temple before getting stuck into what he calls the "gaijin ghetto". But he is far from unworldly, as his blue Ferrari, fondly remembered by Japanese friends, demonstrated.

In taking on the still formidable difficulties of the Indian market, he will not be stuck for more ways to make his mark.

No joke

■ Good to hear African National Congress leader Nelson Mandela telling the CBI conference yesterday how the response to his whistle-stop international tour has proved a success "far beyond" his "wildest expectations".

But Mandela should perhaps not underestimate the difficulty of a country coming in from the economic cold.

The October issue of CBI News includes a 12-page Market Report on South Africa, followed directly by a regional survey of Northern Ireland.

Nettled

■ The government has suffered an early setback in its well-flagged drive to weed out unnecessary regulations. It has decided the Weeds Act 1959 is indispensable. "It is clear . . . that most people want to see it retained," the Ministry of Agriculture asserts.

As the majority of readers will no doubt be aware, the act empowers ministers to take action against occupiers of land from the edges of which common ragwort, spear thistle, creeping or field thistle, curled dock and broad-leaved dock are spreading.

FINANCIAL TIMES
Wednesday October 13 1993

UK minister blames intelligence lapse for Iraqi exports 'error'

By Jimmy Burns in London

A BRITISH cabinet minister yesterday accepted that he had erred in approving exports to Iraq that were used to boost the country's military capability before the invasion of Kuwait.

But Mr William Waldegrave blamed Whitehall officials for not passing on key intelligence that might have shed light on the Iraqi build-up and the involvement of British companies.

Mr Waldegrave said that in 1989 as a foreign office minister he had decided on "the balance of probability" that British machine tools were going to be used for civilian purposes by the Iraqis.

"I took the view maybe wrongly – clearly wrongly in hindsight – that the priority in Iraq had changed and these were going for civil use. Clearly, with hindsight, that was the wrong judgment", he said.

The picture of apparent failures in the government machinery emerged as Mr Waldegrave, now the public services minister, gave evidence to an arms-for-Iraq inquiry chaired by Lord Justice Scott. It was the most serious public admission by a serving minister since the inquiry began in May and may serve to refuel the political furore over the arms-for-Iraq affair.

The Conservative government faced a further embarrassment when Mr Waldegrave agreed yesterday to retract an earlier statement to the inquiry stating that "no dual use exports [to Iraq] were allowed if it was believed they were to be used to produce weapons." Mr Waldegrave was being questioned over his role as foreign office minister between July 1988 and November 1990. His current cabinet post makes him the minister with most direct responsibility for the functioning of Whitehall, including the intelligence services.

Mr Waldegrave was referred by the inquiry to a series of intelligence reports showing that when he agreed to the British exports there was firm evidence that the Iraqis were using the machine tools for military purposes.

He said he had not been made aware of the intelligence reports which were circulated among his own officials. Had the reports been made available to him, he told the inquiry, it would have made it easier for him to argue his case against other government departments and to have blocked the export of machine tools. "I have a very high regard for the capacity of the intelligence services in this country but I don't think we used them properly in this story", he said.

Documents made available to the Scott inquiry and referred to yesterday appear to confirm a contradiction at the heart of the government's handling of its defence policy towards Iraq.

Government ministers agreed in November 1989 to approve the export of machine tools made by Matrix Churchill, a UK company, in spite of intelligence linking it to a munitions contract involving the Iraqis and Industrias Cardoen, a Chilean arms manufacturer.

The same information, however, was used a year later to prosecute three Matrix Churchill executives. During their trial, the defence argued they had acted in the full knowledge of government. The trial collapsed after a judge refused the government's attempt to withhold documents in a move that could have seen the three men sent to prison.

Yeltsin apologises to Japan over POWs

By William Dawkins in Tokyo

RUSSIAN president Boris Yeltsin yesterday moved to patch up relations with Japan, on the first day of an official visit that had been expected to produce scant progress.

Mr Yeltsin pleasantly surprised his Japanese hosts by making a spontaneous apology for 600,000 prisoners held in Siberia after the second world war and by acknowledging the existence of Japan's claim on four islands annexed by Soviet troops at the end of the war.

The apology "will be extremely significant in building the foundation for the spiritual and psychological reconciliation of our two peoples", said Mr Morihiro Hosokawa, the Japanese prime minister.

Mr Yeltsin's readiness to discuss the islands, through a twice yearly meeting of foreign ministers, "goes beyond what was said before" and is "the basis for further negotiations", said a foreign ministry official. The dispute has prevented Russia and Japan from signing a postwar peace treaty.

Tokyo has made large-scale economic aid to Russia dependent on progress on the islands, although officials said yesterday no further pledges were envisaged for the moment. The Kurile islands are popular symbols of slighted pride in Japan and the source of Japanese mistrust of Russia, seen as an opportunistic aggressor in the war.

Some Japanese officials had expected deadlock over the islands when the Russian leader announced, just before leaving Moscow, that he hoped Tokyo would not spoil the visit by raising the issue. In recognition of progress yesterday, Mr Hosokawa accepted an invitation to visit Moscow.

Mr Hosokawa raised the territorial problem by telling Mr Yeltsin that it was "an objective fact" that the islands were "inherent territories" of Japan.

Mr Yeltsin replied that he appreciated the existence of the problem and said Russia took responsibility for treaties between the former Soviet Union and Tokyo. Japanese government officials interpret that to include a 1956 joint declaration in which Moscow offered to return two of the islands and negotiate on the other two.

Mr Yeltsin also promised to withdraw the remaining 5,000 Russian troops stationed on the islands. Separately, he agreed to start joint research on Soviet dumping of nuclear waste in the Sea of Japan.

Mr Hosokawa gave no clear answer to Mr Yeltsin's request for further rescheduling of Russia's $1.6bn debt to Japan, beyond saying he understood its importance, given Russia's importance to the global economy.

Nippon Steel steps up cut-pay holidays

By William Dawkins in Tokyo

NIPPON STEEL, the world's largest steelmaker, said yesterday it would ask its 37,000 staff to take two extra days holiday a month on reduced pay.

This is the latest and most radical cost-cutting step in Japan's steel industry, which faces declining demand from most of its main markets and a recession at home.

It follows similar moves from NKK and Sumitomo Metal Industries and is likely to add to the risk of labour tension when many of Japan's top companies are shedding jobs or considering wage and bonus cuts.

The two other leading Japanese steelmakers are expected to follow. Kawasaki Steel, which has already moved some workers out of steelmaking into other divisions, said it was considering temporary holidays from next January, subject to union approval. Kobe Steel was also studying temporary leave.

Unions will be unhappy about the Nippon Steel plan but will agree, predicted Mr Minoru Udono, steel industry specialist at James Capel Pacific.

He estimated that Nippon Steel had a 10 per cent labour surplus, against an average of 17 per cent for the Japanese steel industry.

Unlike European and US competitors, Japanese steelmakers have so far avoided redundancies, considered socially unacceptable.

Nippon Steel, which recently forecast a loss for this year, says it will ask all staff, including management, to take extra holiday during November and continue every month until further notice. It last resorted to that step from December 1986 to July 1989, to cope with the downturn in domestic demand.

Japanese steel companies are also planning to cut output this month, in step with reduced demand. Nippon Steel officials believe domestic demand will fall to 24.2m tonnes this quarter from 24.8m tonnes last quarter.

In one glimmer of encouragement for the steel industry, public works starts rose 1.5 per cent in August against August last year. That was the ninth successive monthly rise and the best monthly result for a year.

It bodes well for demand for long products such as girders, wire and bars, used in construction, although demand for flat products such as hot-rolled coil continues to be weak from the car and electrical goods industries.

Private sector machinery orders fell by 15.8 per cent in August from the same month last year, a sign of the continued decline in industrial investment, the economic planning agency announced yesterday.

German pay claim rejected

Continued from Page 1

had risen 11 per cent in the first half of this year, production had fallen 14 per cent and productivity was down 2 per cent.

Observers are sceptical about many industrial employers' hopes of winning a general wage freeze, pointing to real earnings cuts in some IG Metall areas of up to 3 per cent this year, and a sharp drop in personal savings.

Most preliminary economic forecasts for 1994 assume nominal pay increases at or around the expected inflation rate of 3.5 per cent.

US envoy extends stay

Continued from Page 1

who defied the UN. "Other clans are getting restless," another UN official inside the heavily fortified Unosom compound said. "They are even getting angry. They don't want the US to build Aideed into a strong opponent. If he is granted too many concessions, it may complicate the UN's relations with other clans."

But after four months of increasingly bloody warfare, both UN and US officials are seeking a way to end the fighting. Mogadishu may end up flooded with too many diplomatic initiatives.

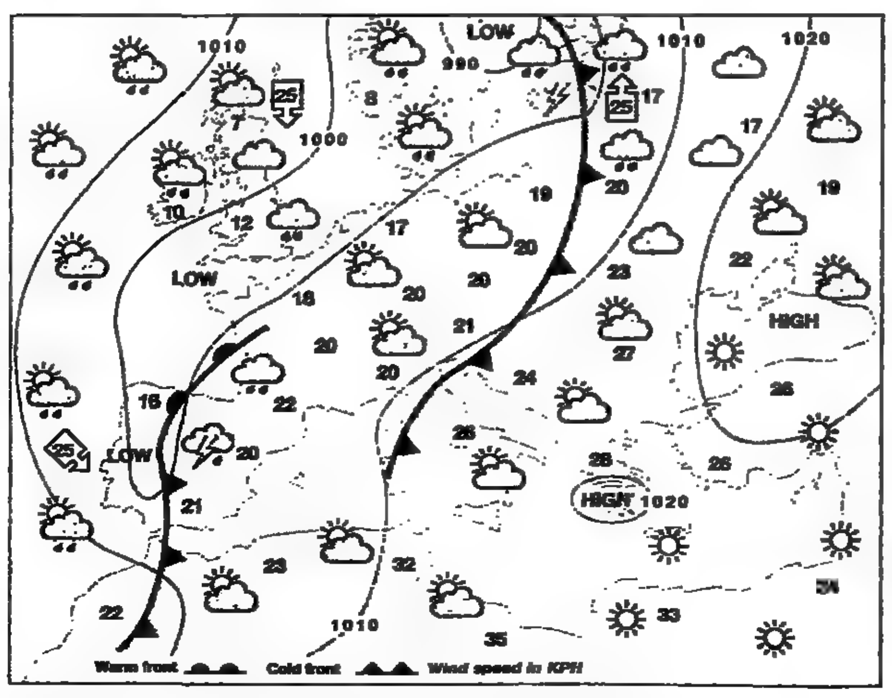
FT WORLD WEATHER

Europe today

Cool and unstable air will flow into the northern British Isles bringing showers. Snow will fall in the highlands of Scotland, but there will also be some sunny spells. A cold front associated with a depression over south-western England will cause cloudy and rainy conditions in most of north-western Europe. A low pressure area over Finland will cause showery rain and thunder in eastern Scandinavia and the Baltic States. High pressure will produce abundant sunshine in south-eastern Europe. Central Europe will be mainly dry with some sunny spells except for Austria, where showers will develop. Low pressure will strengthen over Spain and Portugal triggering thundery showers.

Five-day forecast

The cold front separating polar air from warmer air over the continent will be pushed into central Europe. Near the front it will be cloudy, with patchy rain. The front will intensify during the weekend, resulting in heavy rainfall in the Alps. In the wake of the cold front, an area of high pressure will build over the Channel bringing sunny spells and drier conditions. High pressure over south-eastern Europe will continue to bring sunshine and high temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	shower	9	Cardiff	rain	11	Frankfurt	fair	19	Malta	sun	28	Rio	fair	24
	Celsius		Belgrade	sun	30	Chicago	fair	11	Geneva	fair	26	Manchester	shower	9	Riyadh	sun	37
Abu Dhabi	sun	35	Berlin	fair	18	Cologne	fair	18	Gibraltar	thund	23	Manila	thund	31	Rome	fair	25
Accra	fair	31	Bermuda	shower	28	D' Salaam	shower	33	Glasgow	fair	9	Melbourne	cloudy	13	S. Frsco	cloudy	20
Algiers	fair	30	Bogota	shower	19	Dakar	fair	31	Hamburg	cloudy	16	Mexico City	fair	19	Seoul	shower	21
Amsterdam	shower	16	Bombay	cloudy	33	Dallas	fair	24	Helsinki	thund	12	Miami	sun	28	Singapore	thund	30
Athens	sun	26	Brussels	fair	17	Delhi	sun	34	Hong Kong	cloudy	29	Milan	fair	19	Stockholm	shower	10
B. Aires	fair	31	Budapest	fair	24	Dubai	sun	36	Honolulu	fair	30	Montreal	fair	7	Strasbourg	fair	20
B.ham	rain	9	C.hagen	shower	14	Dublin	shower	9	Istanbul	sun	25	Moscow	shower	17	Sydney	fair	18
Bangkok	cloudy	33	Cairo	sun	34	Dubrovnik	fair	25	Jersey	shower	14	Munich	fair	20	Tangier	shower	20
Barcelona	fair	21	Cape Town	fair	23	Edinburgh	shower	9	Karachi	sun	36	Nairobi	thund	28	Tel Aviv	sun	32
Beijing	cloudy	18	Caracas	fair	32	Faro	shower	21	Kuwait	sun	34	Naples	sun	25	Tokyo	shower	21
									L. Angeles	shower	23	Nassau	fair	31	Toronto	sun	11
									Las Palmas	fair	25	New York	sun	14	Tunis	fair	32
									Lima	cloudy	22	Nice	fair	20	Vancouver	fair	15
									Lisbon	shower	17	Nicosia	sun	32	Venice	fair	21
									London	shower	14	Oslo	fair	10	Vienna	fair	23
									Lux.bourg	fair	17	Paris	cloudy	19	Warsaw	cloudy	19
									Lyon	cloudy	21	Perth	sun	20	Washington	sun	17
									Madeira	fair	22	Prague	fair	20	Wellington	fair	13
									Madrid	thund	13	Rangoon	fair	33	Winnipeg	fair	9
									Majorca	fair	24	Reykjavik	fair	3	Zurich	fair	19

THE LEX COLUMN

News management

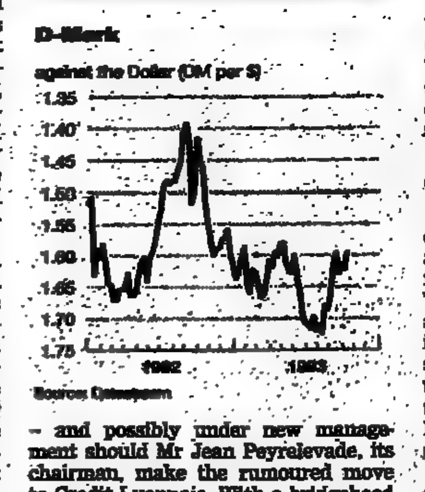
Mr Rupert Murdoch's contrarian thinking has served his shareholders well. But his ambitions to create a differential voting structure at News Corporation go unhealthily against the grain of investor opinion. UK companies, such as GUS and Whitbread, have recently felt compelled to enfranchise non-voting shares. Continental European companies, too, are busy simplifying voting structures. The Australian stock exchange would hardly enhance its reputation by condoning the reverse.

The precise motivation for the plan is murky although there may well be a defensive intent. With a market value near A$20bn ($13bn), News Corporation would appear impregnable. Yet, in bidding for Paramount, both Viacom and QVC have shown that some relative minnows have ambitions far above their stations. It seems more probable that Mr Murdoch simply does not want his family's 32.7 per cent shareholding diluted further. This could well have some bearing on as-yet-unknown succession plans. It could also prove crucial if many new shares were issued as part of any strategic alliance or grand expansion. With News's shares trading on a lofty rating, the temptation to fund acquisitions with equity is overwhelming. After all, News is painfully familiar with the perils of bank debt.

FT-SE Index: 2919.3 (-9.5)

D-Mark

against the Dollar (DM per $)



Source: Datastream

UAP/Suez

The deal between Union des Assurances de Paris and Suez is a fine example of how previously irreconcilable parties can be brought together by force of circumstance. The pair have been haggling over control of Colonia, Germany's third largest insurer, for the best part of four years. But the looming privatisation of UAP and deteriorating trading results at Suez have helped concentrate minds. Selling UAP shares to international investors next year will certainly be easier now a deal has been struck.

It is less clear that the transaction will add much spark to UAP's shares. Exchanging its stake in French insurer Victoire with Suez for control of Colonia makes strategic sense. Yet it is unlikely to transform the group's prospects. Its shares have only just returned to the level of the 1990 rights issue which paid for the Victoire stake. By selling out now, UAP is reducing its exposure to the cyclical upswing in French insurance markets.

Once privatisation is out of the way, UAP might look for growth elsewhere – and possibly under new management should Mr Jean Peyrelevade, its chairman, make the rumoured move to Credit Lyonnais. With a bridgehead established in Germany, the UK looks the most obvious gap in its portfolio. The stake in Sun Alliance built up during the summer through Transatlantic, the investment company jointly owned with Mr Donald Gordon, could provide a toehold. But to judge by its dogged approach to Colonia, UAP will be prepared to wait.

British Coal

The acknowledgment by British Coal's chairman, Mr Neil Clarke, that the pits "reprieved" in March face closure comes as little surprise. While the intention was for further coal contracts to be negotiated, the deafening silence from the electricity generators has told its own tale. Gas-fired plant is coming on stream quickly and the better performance of nuclear power has left no need for further coal.

A few of these pits may be leased by entrepreneurs like Mr Malcolm Edwards who think they can carve out a niche in the industrial and domestic market. But attention is on the "core" pits which will be put on the block next year. There are plenty of practical problems to overcome – notably allocating environmental liabilities and dividing up the remaining three years of the coal contract among the pits. Yet the basic shape is becoming clear. A large chunk of liabilities will have to be left with a residuary body, and the final deals on the surviving pits may well be a hybrid of outright sale and operating lease.

If the pits do not go to mining giants, the capital structure of the bidding companies will need examination. Reliable cash flow in the first three years means that any buy-out could afford to assume some debt. That, however, would need to be paid down by 1998 when risks increase and contracts with the generators will be smaller and harder to secure.

Germany

The German constitutional court decision on the Maastricht Treaty was at the benign end of the spectrum as far as the markets were concerned. There is no need for a referendum, and such conditions as the court did impose were not onerous. So it seems surprising that the main beneficiary at the end of the day should have been the D-Mark, rather than the other European currencies which stand to gain from monetary union.

One reason may be that while the court has done nothing to impede European currency union, its decision has not actually hastened it either. Economic convergence remains some way off. The D-Mark will also retain a certain safe-haven status as long as France clings to untenable interest rates. Finally, the court decision has no immediate bearing on monetary policy. Inflation and money supply growth are heading lower, but after yesterday's 6 per cent wage demand by the I.G. Metall engineering union, the Bundesbank still has reason for caution over interest rate cuts.

Spirits market

In their different ways developments at Grand Metropolitan and Guinness are reminders of how difficult the world spirits market remains. GrandMet's loss of the Absolut vodka brand shows the risk of acting as an agent for others. There will be a perceptible impact on profits from 1995, just as GrandMet is recovering from the dilutive effect of its Chef & Brewer sale. But since GrandMet owns all its other brands, there is no risk of a second hit and the damage is containable.

The unexpected departure of Mr Crispin Davies, Guinness's top spirits man, is harder to fathom. The most obvious explanation is that his background in mass-market consumer goods is not ideally suited to building premium spirits brands. That does not mean that his successor will have an easy task. And Guinness, whose shares have fallen 14 per cent since the interim results, is looking ruffled.

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 13 1993

INSIDE

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	820	+	35
Lindner	728	+	18
Falls			
BMW (Br)	589	-	7
Holzmann Ph	935	-	27
Porsche	841	-	8
Schering	1019	-	22

NEW YORK ($)			
Rises			
Bear Sterns	25¼	+	1⅛
Merrill	101¼	+	2½
Morgan Stanley	88	+	3¾
Motorola	103⅞	+	4⅞
PaineWebber	34¼	+	1½
Primerica	47¾	+	1⅛

New York prices at 12.30pm.

PARIS (FFr)			
Falls			
BIC	1169	-	14
Elf Aquitaine	418	-	11
Geophysique	609	-	11
Orsan	140	-	5
Seb SA	528	-	11
Spie Batignolles	340	-	15

TOKYO (Yen)			
Rises			
Daishowa Paper	1660	+	60
Falls			
Akebono Brake	570	-	29
Fuji Spinning	516	-	34
JEOL	641	-	29
Nippon Yakin	495	-	35
Tokyo Car	645	-	23

LONDON (Pence)			
Rises			
BLP Prf	81	+	5
Campbell Armst	27	+	5
Crockfords	107	+	9
Division Group	89	+	7
Elecо	45	+	13
Gt Southern	440	+	27
Huntleigh Tech	443	+	20
RMP Intl	358	+	18
Quadramatic	172	+	7
Sleepy Kids	48	+	4
Tottenham Hspr	110	+	9
Worthington	60	+	4
Falls			
Automated Sec	97	-	8
Barcom	93	-	9
Cooper Clarke	90	-	10
Euro Disney	588	-	22
Eurotunnel Uts	459	-	29
FR Group	332	-	19
Greycoat	21	-	2½
Plysu	220	-	20
Ross Group	23	-	6
Shanks McEwan	140	-	6
Thorntons	107	-	7
Wimpey (G)	159	-	11

Wal-Mart sales strategy hit by legal ruling

By Richard Tomkins in New York

WAL-MART STORES, the US discount store giant, yesterday suffered a blow to its retailing strategy when an Arkansas court ruled that it had broken state law by selling a range of pharmaceutical products below cost.

The ruling could have ripple effects throughout the US retailing industry by encouraging a series of similar legal suits against Wal-Mart and other store groups which price aggressively to win market share.

Wal-Mart said it was "extremely disappointed" by what it termed an "anti-consumer" ruling and said it would immediately appeal to the Arkansas Supreme Court. Its shares fell $½ to $26.

The civil suit was brought by three independent pharmacies in Conway, Arkansas, who claimed they were suffering from low prices offered by Wal-Mart on items from toothpaste to over-the-counter drugs at its Conway store.

The pharmacies said Wal-Mart's pricing policies were in breach of the Arkansas Unfair Practices Act, which forbids the sale of merchandise below cost "for the purposes of injuring competitors and destroying competition". They claimed $1.1m in damages. Wal-Mart acknowledged that it sold some items below cost, but argued that this was part of normal retailing practice and was not intended to destroy competition.

The court, however, found against Wal-Mart and ordered it to pay a total of $96,469 in damages to the three pharmacies.

Wal-Mart has become America's biggest retailer by competing aggressively with smaller stores on price. Independents have often accused it of selling goods below cost to put them out of business, then raising prices once the competition had disappeared.

The company has lost at least one other case of predatory pricing, in an Oklahoma state court in 1986. As a result, it agreed to raise prices in the state. This latest case is likely to encourage a flurry of suits against the company in the 22 other states with similar predatory pricing statutes.

Announcing its decision to fight the ruling, Wal-Mart said: "If this decision is allowed to stand, the result will be higher prices – not just for Wal-Mart customers, but customers of every retail store, large and small, in Arkansas."

AlliedSignal and BASF in nylon tie

By Keren Zagor in New York and David Waller in Frankfurt

ALLIEDSIGNAL, the US high technology group, and BASF's North American arm are to combine their nylon carpet fibres and nylon textile businesses in a joint venture.

The businesses had combined 1992 sales of $1bn. The joint venture will include fibre manufacturing sites, research facilities and sales staff.

AlliedSignal said the joint venture would enhance its earnings and cashflow. For BASF, one of Germany's big three chemicals companies, the deal would create a more cost-effective producer, large enough to compete in the global man-made fibre market.

BASF, which generates $5bn of sales in North America, is suffering from deep recession in Europe and the strength of the D-mark. Group net profits fell 57 per cent in the first half to DM199m ($125m). It has a policy of forging alliances in fields where it believes that it does not have critical mass.

Fibres are part of AlliedSignal's engineered materials operations, with 1992 sales of $2.6bn, about 22 per cent of the group total.

Mr Howard Rubel, an analyst at Goldman Sachs, said the venture "has synergies written all over it. This will allow them to rationalise costs and provide a counter-balance to some of the growing threats in fibres markets."

AlliedSignal's industrial fibres, high performance fibres and chemical intermediates businesses will not be part of the joint venture, nor will BASF's fibre intermediates and specialty fibres businesses.

Nikki Tait on the outlook presented to News Corp investors

Murdoch proposes bonus issue of 'super' shares

MR RUPERT MURDOCH's News Corporation, the Australian-based media, film and publishing group, yesterday announced plans to create a new class of shares with "super" voting rights, which would be issued on a one for one basis to existing shareholders.

The proposals, announced at News Corp's annual meeting in Adelaide, could allow the company to issue further ordinary shares in pursuit of expansion or debt reduction without diluting control.

The level of equity controlled by Mr Murdoch – either directly or through his family company, Cruden Investments – has fallen from 45 per cent to 32.7 per cent since 1990 as a result of equity-related issues.

Yesterday's announcement seemed to surprise the Australian Stock Exchange. Shares with "super" voting rights have never featured in Australia. One official said the proposal raised fundamental investment issues and the ASX would need to canvass opinion within the financial community.

As the plan would tend to lock in the existing voting interests at News Corp, it would also leave the group well defended against potential predators.

Mr Murdoch told shareholders: "We believe that, if we are successful in increasing News Corporation's capital base through the issue of equity, it must be done in a manner that continues current management.

"If we are to continue to grow and prosper and meet the demand of the technological age in which we live, it is important to ensure that the management that brought News Corporation to this point, be available to lead it in the future," he added.

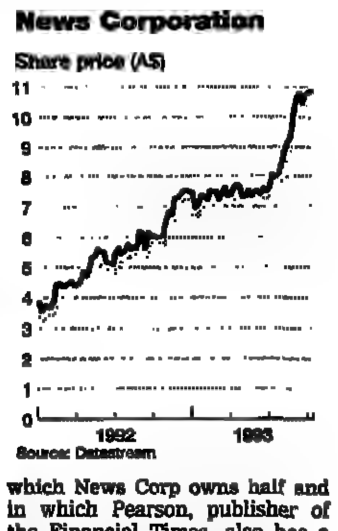
Recent equity-related moves by the group include the announcement in August of plans to issue A$500m (US$330m) of convertible preference shares to pay for a controlling stake in Star TV, the Hong Kong-based satellite TV company. In the spring, it raised about $500m in the US through liquid-yield option notes convertible into shares to cut bank debt.

News Corp would not discuss details of the bonus share issue until discussions with the ASX were completed.

At the meeting, Mr Murdoch forecast a profit increase of about 20 per cent for the first quarter of the current financial year.

He defended News Corp's decision to slash the price of its two UK daily newspapers, The Times and The Sun. "The pricing of all newspapers in Britain over the last five to 10 years has been well ahead of inflation and ... we were pricing ourselves out of the market."

He predicted that BSkyB, of



Source: Datastream

which News Corp owns half and in which Pearson, publisher of the Financial Times, also has a stake, should make at least £180m operating profit this year.

But the recent acquisition of the New York Post – the tabloid daily previously in bankruptcy – would do nothing to help News Corp's bottom line. "We will probably lose in the range of US$5m a year, maybe as high as US$10m." He added that "it is a very strong base for the company in what is the media capital of the world."

News Corp was still interested in magazine publishing in the US, despite the sale of titles two years ago. It would "look for opportunities to launch or expand as opportunities occur".

It was also "on the lookout" to buy more television stations, adding to the eight already owned. "We will be able to buy, within the law, two more stations and then be covering approximately 25 per cent of the US," Mr Murdoch said.

Lex, Page 16

Absolut global coup for Seagram

By Philip Rawstorne in London

VIN & SPRIT, the Swedish wine and spirits company, yesterday announced that Seagram, the North American drinks group, would take over distribution of Absolut vodka, the Swedish-owned premium brand, in the US. It would also take over distribution in other world markets as soon as contracts allowed.

Grand Metropolitan, the UK drinks and leisure group, is to lose US distribution rights to Absolut which has become one of the world's best-selling spirits over the past 13 years.

The reason for the switch appears to have been growing doubts at V & S about the future development of Absolut alongside GrandMet's own Smirnoff and Popov brands. The decision shocked GrandMet's IDV drinks division. It was informed only 24 hours earlier. Up to then, it had been engaged in the usual review of its US distribution arrangements with V & S which were due for renewal next September.

Mr John McGrath, chairman and chief executive of IDV, said that the company, in "an excellent and mutually beneficial partnership" with V & S, had developed Absolut in the US from negligible sales in 1980 to almost 3m cases a year.

"Given this impressive track record, and the successful co-existence and compatibility of Absolut alongside IDV's portfolio of other US brands, including Smirnoff and Popov, it is all the more surprising that V & S should take this decision."

Absolut is ranked 17th in the world's best-selling spirits and is the fifth largest brand in GrandMet's portfolio. Analysts estimate it was worth about £25m ($37.75m) a year in profits. Its loss hit GrandMet's shares which fell 15p to close at 403p. Seagram shares rose $¼ to $26¼ at midday.

Mr Claes Dahlback, V & S chairman, said: "The potential for Absolut vodka and the resources of Seagram make a perfect business match: a worldwide premium brand and a worldwide premium brand marketer and distributor."

For Seagram, which does not have an international vodka brand in its portfolio, the capture of Absolut is a coup.

Mr Edgar Bronfman, Seagram's president, said: "We are very excited to have the opportunity and responsibility to join forces with V & S to develop further and realise the full potential of Absolut."

Lex, Page 16

Barry Riley

Unravelling the puzzle of real bond yields

BRITISH investors may remember the record 5 per cent real yield which was briefly featured by index-linked gilts just before the UK's exit from the European exchange rate mechanism last year.

That yield has now collapsed to 3.1 per cent, a change which has been fundamental to the strength of all the financial asset markets over the past 13 months.

Such a yield adjustment has been reflected in big price rises on index-linked gilts. The longest-dated example, redeemable in 2030, has risen by 33 per cent since shortly before Black Wednesday. More importantly, the fall in real yields has created headroom for the equity market, allowing the dividend yield on UK equities to drop below 4 per cent and still allow a premium for risk.

The UK is rare in having a financial instrument which encapsulates the concept of the real yield. The fall in real returns is, however, not a domestic but a global phenomenon. According to Barclays de Zoete Wedd the real return on 10-year government bonds across the Group of Ten countries averaged some 5 per cent during the 1980s but has now declined to about 3 per cent, or possibly 2.8 per cent on the basis of a consensus expectation of inflation next year.

The process has gone furthest in the US, where the real yield on this basis appears to be only about 2.2 per cent. In countries such as France and Spain the figure is about twice as high, a differential which ought to be unsustainable in free-flowing international capital markets.

However, in the absence of index-linked securities the concept of a real return is not wholly robust, and depends upon bondholders' expectations of inflation which may be too pessimistic.

And clearly there is something unusual about the US bond market at present, shored up as it is by the banks, which are operating on the basis of a profitable spread over America's rock bottom short-term interest rates and are scarcely concerned at all with real yields, as a long-term investor should be.

There was talk of global capital famine as real yields peaked

Japan is a particularly interesting case. With 10-year bond yields down to 3.8 per cent, and inflation liable to disappear completely, it is closer than any other country to a 1930s-type scenario. In the first half of the 1930s the real yield on UK gilts averaged about 7 per cent a year, a perverse figure for a slump, and one that arose because prices were actually *falling*.

Internationally, real returns were very high during the 1980s. Investors were determined not to be caught again by the inflation of the 1970s, although in the event inflation declined until about 1987.

Real rates then dipped, but rose again at the beginning of the 1990s, when the US continued to borrow on a massive scale and Germany unexpectedly joined it in heavy deficit after reunification. There was talk of a global famine of capital as real bond yields peaked in the summer of 1992.

Given the international recession, however, it has not worked out like that. The Bundesbank has bludgeoned the German reunification boom into submission.

The Federal Reserve has pumped liquidity into the US economy but has generated only a stuttering recovery. There turns out to have been plenty of capital, enough not only to finance the deficits but to generate a roaring global bull market in bonds.

Nominal 10-year interest rates have dropped by nearly 2 percentage points for the Group of Ten countries since mid-1992, and since inflation has changed little (and is not expected to fall much below 3 per cent next year either) the effect can nearly all be attributed to the fall in real returns.

How much further can this trend go? Real yields are low, but not exceptionally so. Over the past 30 years real bond returns in the US, Japan and Germany appear to have averaged about 2.5 per cent; exclude the 1970s, when the real yield was negative in the US and Japan (but not in Germany) and 3 per cent would be more typical.

With global GDP growth running at only about 1 per cent against potential trend output growth of perhaps 2¼ per cent there is still considerable slack. Although we may be nearing the trough for real returns, we probably have not got there yet. But if recovery were to become more general next year there could be a rapid increase in capital market pressures.

Volvo tries to reassure shareholders over merger

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

VOLVO, Sweden's leading manufacturing group, yesterday sought to reassure its shareholders over the proposed merger of its car and truck operations with France's Renault, saying the French government intended to privatise Renault by the end of 1995 at the latest.

At a meeting of a dozen of the company's biggest shareholders in Gothenburg, Volvo stressed the French commitment to privatise Renault after the merger is completed.

It said that Volvo's interests would be protected through the 35 per cent share it will have in the merged group.

Criticism in Sweden, led by Aktiespararna, the Swedish small shareholders' association which wants the merger deal blocked at a November 9 shareholders' meeting, has focused on fears that Volvo car and truck manufacturing will in effect be handed over to French state control with no concrete guarantees over subsequent privatisation.

The company said it had faith in French statements that Renault would almost certainly be privatised by the end of 1995.

But it acknowledged that after privatisation, it could not increase its 17.85 per cent direct stake in Renault-Volvo Automotive, the operational company, without permission from the French government under its plans to hold a "golden share".

However, Volvo said that under the merger agreement it could not be overridden on key issues, such as changes in share capital and mergers, because these will be handled by the RVC holding company in which Volvo will have an effective veto.

Volvo's second-largest shareholder after Renault, a state pension fund, said yesterday that it would back the merger, increasing the odds against Aktiespararna's attempt to stop the deal.

However, analysts said that shareholders would continue to demand more detailed information from Volvo, an issue which was not addressed at yesterday's meeting.

Volvo also announced that its nominees to the six-person RVC board would be Mr Pehr Gyllenhammar, Volvo's chairman; Mr Bo Rydin, its vice-chairman and a respected figure in Swedish industry; and Mr Soren Gyll, Volvo's chief executive.

Girobank to sell 51% stake

By Hilary Barnes in Copenhagen

GIROBANK, the state-owned bank, has confirmed that 51 per cent of its shares are to be sold through an issue to the public before the end of the year. Terms were not disclosed.

The flotation will be the first important privatisation sale in Denmark for several years. A minority stake in TeleDanmark, the monopoly telecommunications group, will be sold within the next year.

Girobank was formed in 1991 from the post office giro operation. It ranks as the country's fifth-largest bank with assets at the end of last year of DKr44.7bn ($6.9bn).

The shares to be issued will have a face value of DKr255m.

At the average ratio of share prices to net asset value for banks listed in Copenhagen, an issue of DKr255m would yield about DKr800m.

As a consequence of its past as the post office giro payments operation, the bank is heavily biased towards transactions business.

It has one main advantage over the commercial banks, in that it does not have the large portfolio of bad loans which have troubled the commercial banks over the past two years.

Girobank made a pre-tax profit of DKr75m in 1992, making it one of the few banks to be in the black.

Its provisions were a modest DKr47m.

The four big banks, by contrast, all reported hefty losses, varying from DKr919m at Jyske Bank to DKr4.6bn at Unidanmark, with loss provisions varying from DKr1.2bn to DKr6.2bn.

United Distillers chief resigns

By Philip Rawstorne in London

MR CRISPIN DAVIS, managing director of United Distillers, the Guinness spirits division, yesterday resigned from the group by mutual agreement.

The surprise move comes during a troubled period for Guinness.

It is under pressure from declining profits and questions about its marketing strategy and partnership with LVMH, the embattled French group.

Mr Davis's departure, after little more than a year as head of UD, was said to be due to a personality clash with Mr Tony Greener, Guinness's chairman and chief executive.

Their relationship was affected by differences in management style and approach. It is understood Mr Davis's outgoing manner contrasted strongly with Mr Greener's reticence.

Mr Davis took over as head of UD in July last year. He was recruited from Procter & Gamble in 1990 as managing director of UD's European operations. He was paid about £250,000 a year at UD, where he was on a three-year rolling contract. Compensation is being negotiated.

While Guinness searches for a successor, UD's executives will report to Mr Greener.

Lex, Page 16

Générale des Eaux posts 8.7% profits rise

By David Buchan in Paris

COMPAGNIE Générale des Eaux, the French construction and communications group, yesterday reported net profit for the first half of this year had risen to FFr1.98bn ($35m), up 8.7 per cent from FFr1.1bn in the same period of 1992.

The group said it planned to raise between FFr3bn and FFr4bn through a rights issue by the end of the year, but gave no further details.

Générale des Eaux controls SFR, the only private cellular telephone operator in France (in competition with France Telecom). The rapid growth of SFR investments had created the need for a sharp increase in depreciation allowances, the group said.

Générale des Eaux was recently given permission by the French government to test a new small cordless telephone in Paris, as a possible competitor to the Bi-Bop product launched by France Telecom.

Générale des Eaux said its first-half turnover was little changed, at FFr70.7bn, from the first half last year. But the static overall figure masked a "sharp slowdown" in construction and property, in spite of its continuing contract to build a new headquarters for Société Générale, the bank, at the Défense site in Paris.

This drop was offset by "satisfactory growth" in its traditional activity of water distribution and filtering, and an even better performance in communications.

Result of BNP share-sale due

THE RESULTS of the French government's sale of shares in Banque Nationale de Paris (BNP), which ends tonight, will be announced on Friday, the economics ministry said, AP-DJ reports from Paris.

The ministry also will announce whether the government has decided to reduce the maximum number of shares that an individual investor can purchase, from the original limit of 40.

Foreign banks stall deal on Ferruzzi debt

By Robert Graham in Rome

FOREIGN banks owed L6,500bn ($4.1bn) by the collapsed Ferruzzi-Montedison empire are refusing to comply with the timetable for acceptance of a moratorium on interest payments.

Representatives of Italian banks, owed 75 per cent of Ferruzzi-Montedison's overall debt of L28,000bn, have agreed in principle to accept a freeze on interest payments due this year as part of a radical restructuring plan of Italy's second-largest private group.

However, one of the foreign creditors yesterday indicated that it would be very premature to talk of an agreement.

Representatives of 20 of the most exposed of the 110 foreign banks, which met on Monday in Milan, split into two groups. The meetings were primarily intended to explain the restructuring plan for Ferruzzi Finanziaria (Ferfin), the quoted financial holding, and for Montedison, the industrial group controlled by Ferfin.

The restructuring plan, drawn up by Mediobanca, the Milan merchant bank, and endorsed last week by the Bank of Italy, aims at selling off non-core business to reduce debt, consolidation of debt and recapitalisation. It includes a L600bn fund to cover small creditors needs and dissuade them from boycotting the plan.

A full meeting of all the foreign banks, originally to be held in Zurich on Thursday, is expected to be held in Milan. Only then will the restructuring plan be formally distributed to all the foreign creditors. The document runs to nearly 600 pages and it is thought they are unlikely to make up their minds this week.

Representatives of all the Italian banks, meanwhile, are due to meet today to give their formal approval to the restructuring plan and the debt moratorium.

The foreign banks' unwillingness to give a quick endorsement is thought unlikely to prevent the holding on Thursday of the board meetings of Ferfin and Montedison to approve half-yearly results. These were postponed on September 30 because the administrators were unable to write into the accounts the beneficial effects of a debt moratorium.

Rejection of the plan risks bankruptcy proceedings for Ferruzzi-Montedison. The administrators are arguing that bankruptcy could lead to greater losses than the L1,500bn cost of a debt moratorium.

The debt freeze will provide breathing space for the operating companies, controlled by the Ferruzzi family until the collapse in May, to lift profitability.

Le Comptoir falls into the red

By Alice Rawsthorn in Paris

LE COMPTOIR des Entrepreneurs, the troubled French financial group, yesterday confirmed that it fell into the red in the first half of this year with a net consolidated loss of FFr940.5m ($167m) against net profits of FFr23.7m in the same period of last year.

The company, which has been badly affected by the problems of the French commercial property market, is in the final stages of being rescued by its shareholders in a restructuring package orchestrated by the Bank of France and the economy ministry.

Le Comptoir, which went into deficit last year with a net loss of FFr1.05bn, was forced in February to turn to the French authorities for help after it hit serious liquidity problems.

The company said the rescue package was "progressing" but it could not give any indication of its likely performance for the full financial year. Mr Francis Lemasson, chairman, recently stated that he did not expect Le Comptoir to break even until 1995.

Group turnover fell sharply in the first half to FFr3bn, against FFr4.8bn in the interim period of 1992. Le Comptoir attributed the decline in activity to the continuing pressures on the property market and its own financial difficulties. It was forced to make provisions of FFr1.31bn in the first half.

Assurances Générales de France (AGF), the state-controlled insurance company which is the largest shareholder in Le Comptoir, last week cited the losses on its 30 per cent stake as one of the main reasons for its static first-half profits.

Polish investors buy cement plant

By Christopher Bobinski in Warsaw

POLAND is to sell one of the country's most modern cement works, in Ozarow, to a group of domestic investors led by the Polish Development Bank (PBR), Mr Janusz Lewandowski, the outgoing privatisation minister, announced yesterday.

The decision comes in a letter of intent signed yesterday with the state-owned PBR as well as management and unions at the plant.

It follows the sale in July of stakes in two Polish plants, which account for a quarter of Poland's cement output, to Cimenteries CBR of Belgium for DM90.4m ($56.5m).

CBR has since sold a 43 per cent share of its equity to Heidelberger Zement, Germany's largest producer of building materials.

The Ozarow plant has a 15 per cent share of the market and expects to report a 100bn zlotys ($5m) net profit on sales of 550bn zlotys, which represents a 30 per cent increase on 1992 sales. It was completed in 1977, along with Gorazdze, one of the two plants sold to CBR.

"I think this decision should be in line with the next coalition's thinking," said Mr Lewandowski of the way the new left-of-centre government, which is expected to be formed following last month's elections, would view the letter of intent on Ozarow.

He criticised the Belgian group for not informing him that it was on the verge of the sale to the German group as negotiations of their purchases in Poland were proceeding.

He also said that the International Finance Corporation, a World Bank affiliate which is advising the ministry on the privatisation of the cement sector, had failed to warn him of the impending change in ownership at CBR.

"If I had known I would have re-evaluated my decision," Mr Lewandowski said.

He added that at least 25 per cent of the remaining shares in Gorazdze would be be sold to the Polish group, which is made up of banks, private companies and management.

This would see the creation of a base for a Polish capital group in the cement industry.

TF1 earnings decline 14% to FFr281m

By Alice Rawsthorn

THE pressures on the French media took their toll on TF1, the country's largest television station, in the first half of this year as net profits fell by 14 per cent to FFr281m ($50.2m) from FFr327m in the same period of 1992.

TF1 attributed the decline in interim profits to seasonal factors and stressed that its first-half performance might not be indicative of the trend for the full financial year.

The French media has come under strain over the past year as many advertisers have cut their marketing budgets. The reform of media buying, implemented by the former socialist government, has also destabilised the industry.

In spite of these difficulties, TF1, which commands 40.5 per cent of the French television audience, increased its share of TV advertising to 54.4 per cent.

Advertising revenue rose 7 per cent to FFr3.35bn in the first half of 1993, from FFr3.13bn in the same period of 1992.

This contributed to a 5.4 per cent increase in consolidated sales to FFr3.92bn from FFr3.72bn and a 51.1 per cent rise in operating profits to FFr420m from FFr278m.

However, TF1 did not have the benefit of the FFr125m capital gain made in the first half of 1992 from a property sale.

Nissan warns of operating losses

By Michiyo Nakamoto in Tokyo

NISSAN, Japan's second-largest car manufacturer, yesterday warned it would probably suffer an operating loss in the fiscal year to March 1994 – its second in a row – unless the yen declined in value against the US dollar.

Mr Yoshifumi Tsuji, Nissan's president, warned that the exchange rate of Y106 to the dollar was much higher than that on which the company had based its profit forecast. If it remained at this level, the company would not be able to break even this year, as it had expected.

Nissan based its earlier profits forecast on an exchange rate of Y110 to the dollar in the first half and Y115 in the second half. The yen has been fluctuating recently at around Y106.

Mr Tsuji also said that Nissan was forecasting lower unit sales at between 1.17m and 1.18m units this year, down from the 1.2m units it had expected earlier in the year.

To deal with the difficult market, the company is considering bringing forward plans to reduce its workforce by 5,000 by the end of 1996. It might also reduce its winter bonus, although Nissan has yet to consult its labour union, the company said.

In the year to March 1993, Nissan reported its first net loss of Y15.1bn ($14m) compared with a net profit of Y54.2bn in the previous year. Pre-tax losses came to Y26.3bn compared with a profit of Y87.8bn and the company was forced to halve its dividend.

Nissan had been looking to break even this year at the pre-tax level, although it is forecasting a loss of Y40bn in the first half, which the company hoped would be offset by profits in the second half.

However, domestic demand has remained depressed. Toyota, the largest car manufacturer in Japan, was recently forced to reduce its unit sales forecast for the second time this year.

Nevertheless, Mr Tsuji was still optimistic about second-half sales, and the company is planning to launch new models.

Yoshifumi Tsuji: exchange rate higher than forecast

Motorola earnings exceed forecast

MOTOROLA, the US semiconductor manufacturer, reported earnings sharply above forecast, AP-DJ reports.

Third-quarter earnings jumped to $254m, or 92 cents a share from $127m, or 47 cents, a year earlier. Analysts had expected between 67 cents and 83 cents a share.

Sales in the quarter totalled $4.48bn against $3.48bn in the same period last year.

Nine-month earnings amounted to $682m, or $2.50, up from $272m, or $1.02, a year earlier. Sales for the nine months totalled $11.97bn, against $9.59bn.

Nine-months earnings per share fully diluted were $2.40, against $1.01. Last year's figures include a loss of $123m from the cumulative effect of adopting a new accounting standard.

Motorola said its third-quarter net margin on sales was 5.7 per cent, against 3.7 per cent a year earlier, while in the first nine months net margin on sales was 5.7 per cent, up from 4.1 per cent a year earlier.

Mr Gary Tooker, president and chief operating officer, said sales in the semiconductor products segment rose 31 per cent for the quarter, to $1.51bn. Orders rose 25 per cent and segment profits increased.

In the general systems sector, sales rose 43 per cent to $1.35bn, while orders advanced 58 per cent. Segment profits also increased, Motorola said.

The company did not provide any forecast, beyond saying that third-quarter and nine-months results were not necessarily indicative of those for the full year.

Brierley vehicle bids for brewer

By Nikki Tait in Sydney

GUINNESS Peat Group, the UK-based investment vehicle for Sir Ron Brierley which is now listed in Australia, yesterday launched an A$18m (US$12m) bid for a Queensland-based beer company, Power Brewing – saying that its ultimate plan was to wind up the company.

Under the offer terms, GPG proposes to pay 44 cents a share for half of each investor's shareholding in Power. GPG has been building a stake in Power, which is currently 8.3 per cent. Full acceptance of the offer would take GPG's interest to 52 per cent.

If it wins control, GPG plans to negotiate the end of a joint venture between Power and Carlton and United Breweries, and then liquidate Power or "otherwise return funds to shareholders".

Sir Ron claimed yesterday that the business was "essentially uneconomic", and that the offer would give shareholders an immediate premium for part of their holdings, and then participation in "an orderly phasing out of unprofitable trading operations".

Power Brewing urged shareholders not to sell until the company had considered the offer further, and described the bid price as "seriously inadequate". Power's shares closed up 3 cents at 45 cents.

Honda and Isuzu to extend product-sharing agreement

By Michiyo Nakamoto

HONDA and Isuzu are to extend their product-sharing relationship, further highlighting the pressure on Japanese carmakers to curb development costs.

Honda will supply Isuzu with a version of its popular Accord to be sold under the Isuzu badge in Japan, and with its Domani model for sale in Thailand.

Isuzu will supply Honda with its Big Horn recreational vehicle, which Honda will sell under its own marque.

The exchange extends an agreement reached earlier this year. Under that agreement Honda already provides Isuzu with its Domani, which Isuzu sells in Japan, while Isuzu will provide Honda with two types of recreational vehicle, the Rodeo and Mu, for sale in the US and Japan respectively.

The arrangement will help the companies to utilise their capacity better during one of the worst recessions the Japanese car industry has faced, as well as extend their product ranges.

The market for recreational vehicles has been growing strongly in Japan, but Honda has been left behind because of a lack of models.

Isuzu, meanwhile, has pulled out of passenger car production and relies on products supplied by other manufacturers to complement its range.

The decision by Honda and Isuzu to rely on other carmakers to provide them with models reflects the dilemma faced by the Japanese car industry. While carmakers need to supply their dealers with a wide range of products, overcapacity in the market and the urgent need to cut costs has limited their ability to develop a full range of models, not all of which would sell in high volumes.

Although Honda and Isuzu will be competing with each other in the Japanese market for sales of the cars they are to supply each other, such competition was not a significant concern since the two companies' dealers have very different customer bases, Honda said.

The two companies are exploring the possibility of further product exchanges. Any further extension depends on "whether Isuzu has anything more to offer", Honda added.

Saudi banks report sharp profit increases at nine-month mark

By Robin Allen in Dubai

THREE of Saudi Arabia's 11 joint-venture banks have reported sharply increased profits for the nine months to September 30 compared with the same period in 1992.

Saudi British Bank, 40 per cent owned by British Bank of the Middle East, part of London-based HSBC Holdings, reported nine-month net profits exceeding the full-year profits of any previous year – SR298.8m ($79.7m), an increase of 50.2 per cent from the SR198.9m in the same period of 1992.

Total assets, at SR31,954m, have increased some 30 per cent in the past two years.

Saudi French Bank, 31 per cent owned by Paris-based Banque Indosuez, saw net profits rise 60 per cent to SR269.3m from SR168.3m.

Net profits at Arab National Bank, 40 per cent owned by Amman's Arab Bank, increased nearly 30 per cent to SR368.9m, compared with SR287.7m in the same nine-month period last year.

Mr Andrew Dixon, managing director of Saudi British Bank, said that sales in the kingdom's private sector were "buoyant".

"There is an increasing drive from the non-oil private sector into industry. Import substitution is a reality, and the economy is probably growing at an annual rate of between 4 per cent and 5 per cent," Mr Dixon said.

However, while private sector non-oil contribution to gross domestic product was growing, the economy as a whole was very much "oil-driven", so much depended on the future trend of oil prices, he said.

Mr Dixon added: "I feel reasonably comfortable that we should be able to maintain our present performance in the last quarter of this year, though for next year no one can be sure because of changing interest rate scenarios overseas which are moving from one type of market to another."

His comments underline the fact that a large proportion of banks' earnings are coming from net interest income, gains on bond portfolios, and higher fee earnings.

Fruit of the Loom in $133m acquisition

By Richard Tomkins in New York

FRUIT OF the Loom, the US clothing manufacturer, is to buy Salem Sportswear, a maker of sports and children's wear, for $12.75 a share in cash, valuing the company at $132.6m.

Salem, which makes sportswear licensed by the four big US professional sports leagues, is expected to earn about 75 cents a share in the year to next August.

Fruit of the Loom believes the price it paid for the company will be justified by the opportunity to expand its range of sports and children's wear and through the expansion of its distribution channels.

Unilever agrees to buy Japanese margarine brand

By Emiko Terazono

UNILEVER, the Anglo-Dutch food and consumer products company, has agreed to buy a margarine brand from Ajinomoto, a leading Japanese food manufacturer, for an undisclosed price.

The acquisition will lift Nippon Lever, Unilever's Japanese unit, to Japan's second largest margarine producer, with 25 per cent of the market. The move comes at a time when Japanese food companies are restructuring their operations by cutting down on products and reducing inventories.

Ajinomoto, which is also trying to slim its business by cutting unprofitable operations, will leave the margarine market altogether with the sale of its Marina brand.

The company entered the market 23 years ago.

Recession hits Japanese retailers

By Emiko Terazono in Tokyo

TWO leading Japanese retailers unveiled depressed interim figures yesterday, displaying evidence of the problems facing the industry as consumer confidence plunges following prolonged economic slump.

Nagasakiya, a large supermarket chain, posted an unconsolidated pre-tax loss of Y1.7bn ($16m) for the first six months to August, compared with a loss of Y1.2bn a year earlier. The company was hit by the unusually long rainy season and cool summer.

Sales for the March-August period fell 5 per cent to Y197bn, while after-tax losses totalled Y1.4bn against a profit of Y552m the previous year.

The company, which paid an annual dividend of Y7.5 per share, will be forced to forego dividend payments for the current business year to February. Annual pre-tax losses are expected to widen to Y2.9bn from the previous year's Y539m, on a 3.5 per cent fall in sales to Y400bn.

Takashimaya, an upmarket department store, suffered an 89 per cent plunge in pre-tax profit for the the first six months to August to Y380m, on a 9.5 per cent fall in sales to Y3.5bn.

A fall in sales of mainstay items including clothing was caused by slack demand. However, after-tax profits surged 81.8 per cent due to revenue from land sales in Tokyo.

For the year to February, the company expects pre-tax profits to fall 39.1 per cent to Y3bn on a 7 per cent fall in sales to Y730bn. Takashimaya plans to trim capital investment costs by 30 per cent as part of cost-cutting efforts.

Sharp increases LCD production

SHARP, the Japanese manufacturer of consumer electronics, said it is to boost production of colour liquid crystal display (LCD) screens to cope with booming demand from computer and game-machine makers, Reuter reports from Tokyo.

Sharp will raise output of its colour version of its passive-matrix LCDs, low-cost panels that are now used widely on the faces of wristwatches, from 80,000 units a month to 120,000 by the end of next year.

Merrill Lynch lifts profits 57%

By Patrick Harverson in New York

SHARES in US securities brokerage stocks rose sharply yesterday after three of Wall Street's biggest securities firms reported strong quarterly earnings.

The results, which were better than analysts and investors had expected, confirmed that low domestic interest rates, heavy interest among investors in stock and bond markets, and buoyant demand from corporations for underwriting services are continuing to fuel Wall Street's record-breaking profits boom.

Merrill Lynch, the industry leader, led the way with record third-quarter net income of $360m, up 57 per cent from a year ago on record net revenues of $2.64bn.

Merrill's earnings engine was firing on all cylinders, with every business segment reporting a significant improvement in revenues.

Investment banking put in the strongest performance, with revenues rising 24 per cent to $452m as the firm cemented its position as the world's biggest underwriter of debt and equities.

So far this year, Merrill has helped its clients raise $155bn in financings on US and overseas securities markets.

Revenues from principal transactions rose 20 per cent to $733m, due to increased client order flow and big profits from trading derivatives, equities and money market instruments.

Commission revenues climbed 23 per cent to $690m, while asset management and custodial fees rose 18 per cent to $250m.

Non-interest expenses rose in line with business activity, increasing by 13 per cent to $2bn.

As expected, Merrill also announced a two-for-one stock split aimed at making its stock, which rose above $100 for the first time yesterday, more attractive to a wider group of investors.

By early afternoon Merrill's shares were up $2¾ at $101¾ on the New York Stock Exchange.

The factors which spurred Merrill's earnings also played a part in the healthy profit gains recorded at PaineWebber and Bear Stearns.

PaineWebber reported a 14 per cent increase in third-quarter net income to $59.1m, earned on revenues of $736.8m, up from $625.8m a year earlier.

Revenues from commissions, principal transactions and asset management were all higher.

The one disappointment was investment banking, where revenues remained strong at $100.8m but still came in 5 per cent lower than a year ago. The firm's non-interest expenses increased 17.5 per cent to $637.4m.

PaineWebber's shares rose $1½ to $34¼ on the NYSE.

Bear Stearns recorded the biggest increase in earnings of the three, with net income jumping 66 per cent to $104.3m in the company's fiscal first quarter.

Commissions and principal transactions revenues were both strong, but the investment banking business sparkled, with revenues rising 91 per cent to $119.2m.

On the NYSE, Bear Stearns shares were up $⅝ at $34⅝ just after midday.

Fannie Mae achieves 23rd record quarter

By Patrick Harverson

THE FEDERAL National Mortgage Association (Fannie Mae) reported record third-quarter profits of $477.2m yesterday, up from $412.9m in the same period a year ago.

It was the 23rd consecutive quarter of record profits for the company, which is the largest mortgage provider in the US.

The strong earnings were achieved in spite of $50.6m in after-tax losses incurred due to the call of debt at a premium and the repurchase of high-coupon debt.

The record third quarter took Fannie Mae's nine-month earnings to $1.38bn, well ahead of the $1.19bn recorded over the same period of 1992 and on target to outpace the $1.62bn earned in all of last year.

Mr James Johnson, chairman and chief executive officer of the company, said various factors were behind the latest results, including a big rise in interest income, healthy gains in guaranty fees, and record income from the sale of Remics (real estate mortgage investment conduits).

Fannie Mae's net interest income rose 5 per cent to $661.7m, following a 22 per cent increase in the size of the company's net mortgage portfolio to $179bn and a widening in its net interest margin (the difference between the interest Fannie Mae earns on mortgage loans and the interest it pays to borrow money) from 133 basis points a year ago to 140 basis points.

As for Fannie Mae's readings on the state of the US housing market, the company reported that acquisitions of foreclosed single-family properties rose from 2,790 in the second quarter to 3,206 in the July to September period.

However, it added that its serious delinquency rate for single-family loans, a key indicator of credit quality, declined to a 14-year low of 0.56 per cent.

Fannie Mae's shares rose $⅝ to $80¾ on the New York Stock Exchange.

Westinghouse earnings down by 29% to $65m

By Frank McGurty in New York

WESTINGHOUSE, the diversified US group which has been struggling to recover from heavy losses by its financial services division, yesterday said that poor performances by its core businesses had contributed to a 29 per cent decline in third-quarter earnings.

The company, which has interests ranging from nuclear power to radio stations, said net income from continuing operations was $65m, or 15 cents a share, on revenues of $2.06bn. In the corresponding period of 1992, net income was $91m, or 22 cents, on turnover of $2.27bn.

"Obviously the third quarter's financial results are disappointing," said Mr Michael Jordan, who was named chairman and chief executive in July.

His appointment followed the departure of Mr Paul Lego, who had faced pressure from institutional shareholders to stem losses from the group's property market activities.

Earnings for the nine months to end-September – down 25 per cent from a year earlier – showed a similar rate of decline as the quarterly results.

Net income from continuing operations was $205m, or 48 cents a share, on revenues of $6.23bn. This compares with net income of $278m, or 77 cents, in the same period of 1992, on revenues of $6.67bn.

In the latest quarter, the performances of environmental services and electronic systems were particularly weak, with revenues "down substantially" for both divisions. Westinghouse does not provide specific figures for its segments.

The company said the environmental arm had suffered because of sagging demand for its hazardous waste clean-up and incineration services. Sluggish trading conditions in Europe had been a contributing factor, it added.

Westinghouse attributed the decline at its important electronic systems division to reduced spending by the US defence department.

The company recently converted some of its military hardware for use in law enforcement and home security, but it is uncertain whether the extended product range will prove a success.

Westinghouse's broadcasting operation was another lacklustre area. The company blamed a downturn in operating profit at the division on a weak performance in the west coast television market.

The power systems segment, meanwhile, showed a sharp decline in operating profit because of reduced shipments and other factors.

In September, Westinghouse warned investors that it expected a 50 per cent drop in net income in the third quarter. With the results not quite as dire as forecast, Wall Street reacted calmly to yesterday's announcement. In early trading, the shares edged $⅛ lower to $13⅞.

Bombardier to launch 70-seat Dash 8 airliner

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian transportation group, announced that it is set to launch the 70-seat turbo-prop de Havilland Dash 8-400 airliner early next year.

The Dash 8 family will then include 37-, 50- and 70-seat aircraft designed for short distance service.

The company said that nearly 400 Dash 8 aircraft have been sold to 60 airlines in 22 countries.

The new 400 model will integrate with existing Dash 8 fleets. At 350 knots, the aircraft will carry 70 passengers 500 nautical miles in 107 minutes. Maximum range is 1,240 nautical miles.

The first flight is due in July 1996, and Canadian certification in September 1997, with deliveries starting a month later.

Bombardier is also well advanced with developing a 70-seat version of its 50-passenger Regional Jet, now in service in Europe and North America.

The CRJ-X will have commonality with the smaller RJ and use the same flight simulators. Range will be up to 1,365 nautical miles.

Tax changes restrict PepsiCo

By Richard Tomkins in New York

PEPSICO, the US food and soft drinks group, reported a 9 per cent increase in third-quarter net income to $458m.

Strong advances in most parts of the business outweighed a poor performance from the Kentucky Fried Chicken restaurants.

The latest results would have shown a 17 per cent increase in net income to $495m, but the figure was affected by changes in the US tax regime.

The effect was to reduce the latest earnings per share figure from 61 cents to 56 cents, a 6 per cent increase on last year.

The impact of the tax changes on full-year earnings would be to reduce net income by an estimated $40m, equivalent to 5 cents a share.

Operating profits rose by 20 per cent to $886m, with all three divisions growing by 17 per cent or more. Strongest performer was the beverages business, which increased operating profits by 22 per cent to $355m.

In the US, new products such as Crystal Pepsi helped counter the effects of a product tampering incident in June, taking domestic beverage profits ahead by 21 per cent.

International beverage profits rose by 28 per cent, helped by geographical expansion.

Snack-food operating profits rose by 19 per cent to $309m with strong volume growth in the US and internationally.

The restaurant division recorded a 17 per cent profits increase to $222m in spite of 15 per cent downturn in worldwide profits from Kentucky Fried Chicken, partly because of the successful launch of the large-size Bigfoot pizza in the US Pizza Hut chain.

Procter & Gamble optimistic

PROCTER & Gamble, the US household products and foods group, expects to report record first-quarter unit volume and earnings, Reuter reports from Cincinnati.

Mr Edwin Artzt, chairman and chief executive, told the annual meeting that the company had absorbed less favourable foreign currency exchange rates.

Without these effects, first-quarter earning would be well ahead of the company's average growth rate in 1992-93.

Even after these effects, which have affected most US companies, the company would still report a substantial year-on-year profit increase, Mr Artzt said.

Procter & Gamble's worldwide unit volume growth in the first quarter was 6 per cent, excluding discontinued pulp and orange juice operations.

Mr Artzt cited improved US business as a key to these results. He also said the company's globalisation strategy was paying off and that he expected the company's international share to reach 60 per cent of worldwide sales by the year 2000.

He added that there was real momentum in the business, especially in the US, where shipments were up 6 per cent during the past six months.

In addition, cash flow from operations reached a record $3.3bn. During 1992-93, the company's worldwide unit volume grew 4 per cent.

Mr Artzt said he expected the company's stock to appreciate in line with future earnings growth.

GE beats forecasts with $1.2bn

By Karen Zagor in New York

Jack Welch: GE strengthened its global presence

GENERAL Electric, the diversified US manufacturing and services group, yesterday unveiled slightly better-than-expected third-quarter earnings and predicted record results for the whole of 1993.

Seven of the group's 12 business segments achieved double-digit growth in operating profits.

Only the aircraft engines business posted lower operating profits in the quarter.

The company reported net earnings of $1.21bn, or $1.41 a share, compared with $1.11bn, or $1.30, in the same period of last year. Most analysts had expected earnings per share of $1.40 in the latest quarter. Revenues advanced by 4 per cent to $14.66bn from $14.27bn.

On Wall Street, shares in GE rose $⅝ to $96⅞ at mid-session.

Last year's earnings included $114m from GE's aerospace business, which was transferred to Martin Marietta this year.

Mr Jack Welch, chairman, said earnings from GE's continuing operations increased 21 per cent from the previous year.

Mr Welch added that the operating margin for the quarter was a record 11.6 per cent, compared with 10.2 per cent a year ago, excluding 1992 restructuring charges.

He said the company strengthened its global presence during the quarter.

The power systems division recorded more than $800m in international orders. In Europe, GE's NBC television business acquired a majority stake in Super Channel.

In Thailand, GE Capital Services, the financial services group, formed a joint venture to provide consumer and commercial financing.

For the first nine months of 1993, GE reported net earnings of $3.7bn, or $4.33 including a first-quarter accounting charge of $862m, or $1.01. A year earlier, it earned $3.38bn, or $3.95. Revenues advanced to $42.48bn from $40.87bn.

Mr Welch said: "The first three quarters of 1993 have once again demonstrated GE employees' ability to cope with change and win in a difficult global economy.

"We expect this trend to continue in the fourth quarter and for the year, more than overcoming the absence of $345m of aerospace operating net earnings," he added.

INTERNATIONAL CAPITAL MARKETS

Ecu bonds benefit most as European sector rallies

By Conner Middelmann in London and Patrick Harverson in New York

EUROPEAN bonds rallied after Germany's constitutional court gave its broad approval to the Maastricht treaty for European monetary union.

Prices were also lifted by hopes for further European rate cuts after the Bundesbank switched to variable-rate repos for today's allocation, following two months of fixed-rate repos. The move was seen as paving the way for lower short-term rates in coming weeks.

GOVERNMENT BONDS

Ecu bonds were the main beneficiaries of the German ruling and the Ecu bond contract on Matif jumped 0.80 point to 118.94.

The market had moved to a very defensive pricing in recent months amid uncertainty over the treaty's ratification, but the ruling removed the last great unknown, allowing Ecu bonds to become more fairly valued, said Mr Bob Tyley, head of bond analysis at Paribas Capital Markets.

"Ecu bonds are now very attractive, and I expect investors to come into the market who were sidelined since the ratification problems began," he said. Mr Tyley expects the 10-year Ecu yield spread over bunds to shrink to about 40 basis points before year-end, from 56 basis points now.

Elsewhere, the Bank of England announced the auction of Ecu500m of three-year Treasury notes, which will be fungible with Ecu1.5bn of notes sold earlier this year.

■ GERMAN bonds, which had attracted safe-haven buying in the run-up to the court ruling, dipped slightly on the announcement but recovered later, aided by the US Treasury rally and technical futures trading. The December bund future hit a new high at 100.07 and closed at 100.02, up 0.32 point from Monday.

The government issued DM3bn of 6 per cent bunds at 100.90, which met with solid demand, mainly from domestic investors. Another DM3bn-DM4bn is expected to be sold at today's auction.

Bunds were lifted by hopes that the minimum rate on 14-day repos may ease at today's Bundesbank repo. Money market dealers forecast a minimum rate of 6.68 per cent, with a liquidity add of some DM10bn seen.

■ UK gilts rose along with the other markets, but traders reported little cash activity. "The market's on tenterhooks about [today's] RPI numbers," said a trader. Most participants are expecting a headline rate of 1.7 per cent year-on-year, unchanged from last month.

Elsewhere, the Bank of England sold out of the £350m of 7 per cent 2001s and the £350m of 8¾ per cent 2017s issued on Friday.

■ FRENCH bonds rose in line with other markets, but gains were capped by technical resistance at 123.18 on the December notional bond future. The short end of the market firmed on hopes that the German repo rate might ease today, causing the 3-month December Pibor future to rise 0.16 point to 93.44. Italian bonds posted strong gains, with the BTP future rising 0.81 point to 117.95 and expected to test 118.00 today.

■ THE JGB futures contract hit a six-year high and closed at 112.70, up 0.29 from Friday. Prices were fuelled by Friday's US Treasuries rally and solid cash buying, a trader said.

■ FOLLOW-through buying of bonds after the long weekend lifted US Treasury prices at the long end of the maturity range yesterday morning.

By midday the benchmark 30-year government bond was up ⅜ at 104¾, yielding 5.896 per cent. At the short end of the market, the two-year note was unchanged at 100⅛, to yield 3.774 per cent.

After taking Monday off for the Columbus Day holiday, the bond market resumed the rally it had started last Friday following the release of a September employment report which traders and investors judged to be bullish for longer-dated Treasury securities.

Although buying was sporadic, it was enough to lift 30-year prices, and send the yield on the benchmark issue below 5.9 per cent for the first time since the Treasury began issuing long bonds on a regular basis in 1977.

FT FIXED INTEREST INDICES

	Oct 12	Oct 11	Oct 8	Oct 7	Oct 6	Year ago	High *	Low *
Govt.Secs (UK)	102.84	102.55	102.88	102.44	102.34	90.07	102.88	93.28
Fixed Interest	124.42	124.38	124.21	124.11	123.47	104.83	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 11	Oct 8	Oct 7	Oct 6	Oct 5
Gilt Edged Bargains	124.2	90.6	90.6	107.1	105.9
5-Day average	104.1	97.3	98.3	98.3	104.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.5769	-0.085	6.62	6.69	6.61
BELGIUM		9.000	03/03	111.3000	+0.050	7.30	7.28	7.11
CANADA *		7.500	12/03	105.2500	-	6.77	7.01	6.73
DENMARK		8.000	05/03	110.7500	+0.400	6.48	6.61	6.80
FRANCE	BTAN	6.750	11/98	100.6202	+0.904	5.60	5.54	5.60
	OAT	6.750	10/03	105.6000	+0.190	5.99	6.01	6.11
GERMANY		6.500	07/03	104.0050	+0.205	5.94	6.03	6.14
ITALY		10.000	08/03	107.4800	+0.385	9.04†	9.12	8.43
JAPAN	No 119	4.800	06/99	107.9089	+0.205	3.16	3.18	3.57
	No 157	4.500	06/03	105.1812	+0.334	3.77	3.78	4.10
NETHERLANDS		7.000	02/03	107.7000	+0.250	5.89	5.90	6.00
SPAIN		10.900	08/03	112.7500	-0.100	8.86	8.96	9.03
UK GILTS		7.250	03/98	103-29	+2/32	6.23	6.27	6.24
		8.000	06/03	108-11	+7/32	6.81	6.85	6.77
		9.000	10/08	117-03	+10/32	7.13	7.22	7.11
US TREASURY *		5.750	08/03	104-03	+10/32	6.21	5.33	5.24
		6.250	08/23	105-01	+14/32	6.89	6.00	5.85
ECU (French Govt)		8.000	04/03	110.3500	+1.000	6.50	6.66	6.56

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Market expects EC's Ecu1bn Eurobond launch today

By Antonia Sharpe

THE European Community is expected to launch its widely-expected Ecu1bn offering of seven-year Eurobonds today. The issue is seen as an attempt by the EC to attract institutional investors back to the Ecu bond market.

Several borrowers, ranging from the Council of Europe to Sweden, injected just over Ecu1bn of liquidity into the Ecu bond market last month but these issues were mainly targeted at retail investors.

The EC's decision to award the mandate jointly to four banks – BNP, CSFB, Dresdner and Goldman Sachs – reflects the importance which the EC has attached to the issue, as well as its desire to achieve the widest distribution.

The bonds are expected to be priced to yield 10-12 basis points below the yield on the French government's 8½ per cent Ecu-denominated OAT due April 2000.

Yesterday, the international bond market was dominated by two large 10-year offerings from Belgium and Depfa, Germany's largest mortgage bank. Both issues had been well flagged and were sold out by the end of the day.

INTERNATIONAL BONDS

Belgium's issue, which raised $500m, was seen to be sensibly priced at a spread of 32 basis points over the yield on the 5¾ per cent US Treasury due 2003 in view of recent worries about the country's budget deficit and its increasing external borrowings. As a result the spread remained virtually unchanged once the bonds were freed to trade.

Lead manager Merrill Lynch said that there was surprisingly strong demand for the bonds from east Asia, where about one-third of the issue was placed. Interest from the UK was also good but demand from Germany was below expectations.

Depfa achieved a surprisingly low spread of 25 basis points over UK government bonds for its first Eurosterling issue which raised £500m. The spread tightened to 22½ basis points soon after the bonds were freed to trade.

Syndicate managers said Depfa had done well on pricing, given that it did not have a rating and that it was still relatively unknown outside Germany. However, some felt that the spread left little room for further narrowing in the secondary market.

Joint lead manager UBS said that the issue was targeted at investors who were buying Depfa paper for the first time, in accordance with the issuer's aim to broaden its funding base. The issue was also seen as a platform for any future sterling borrowings by Depfa.

Mr Frank Rühland, Depfa's treasurer, said the issue reflected the bank's need to diversify its funding away from the domestic market now that it was increasing its lending business abroad.

The proceeds of the issue will be used to fund the bank's growing commercial property mortgage business in the UK. Depfa has also expanded its public sector financing activities outside Germany over the past 18 months and has lent to sovereign borrowers and agencies in Denmark, Belgium, Ireland and Spain.

Depfa has raised DM26bn of its 1993 funding programme of close to DM30bn but only around DM4bn has been raised internationally. Mr Rühland expects a higher proportion of Depfa's funding to be sourced outside Germany in future.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Belgium	500	5.50	99.094R	Nov.2003	0.325R	+32 (5¾%-03)	Merrill Lynch Intl.
Kingdom of Denmark	120	3.40	100.10R	Dec.1994	0.10R	-	Fuji Intl. Finance
Toho Zinc Co.(a)♦	120	0.75	100	Oct.1997	2.25	-	Nikko Europe
Thai Central Chemical(b)§	60	3.75	100	Oct.2003	100	-	Jardine Fleming
STERLING							
DePfa Finance	500	7.125	99.702R	Nov.2003	0.325R	+25 (8%-03)	Salomon Brothers/ UBS
FRENCH FRANCS							
Ville de Paris	1.2bn	5.75	99.05R	Nov.2000	0.30R	+15 (6¾%-00)	Société Générale
National Bank of Hungary	1bn	8.00	100R	Nov.1999	1.00R	+235(8½%-99)	Crédit Lyonnais
CANADIAN DOLLARS							
GMAC(c)	100	7.00	99.135R	May.1999	0.325R	+97 (6½%-99)	RBC Dominion Securities
Bca.Commerciale Italiana(d)‡	100	(d)	100R	Nov.2003	0.50R	-	Kidder Peabody Intl.
AUSTRALIAN DOLLARS							
State Bank of New South Wales	125	8.50	100.625	Nov.2000	2.00	-	Deutsche Bank London
SWISS FRANCS							
Oberoest. Kraftwerke(e)	200	4.25	102.125	Dec.2003	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ♦With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 18/10/93. b) Conversion price: baht 61.65. FX: 25.28 baht/$. Puttable on 25/10/98 at 115½%. Callable after 3 years subject to 140% rule. c) Short 1st coupon. d) Borrowed through Comit Finance (Jersey). Coupon pays 6-month BA's - 0.3%; minimum 5⅛%, maximum 9%. e) 51% share maintenance clause.

Osaka to launch contract based on Nikkei 300 index

By Emiko Terazono in Tokyo

A FUTURES and options contract based on the new Nikkei 300 share index is to be launched in January by the Osaka Securities Exchange, Japan's main futures market.

The new index is likely to be less volatile than the existing Nikkei 225 index. It is capitalisation weighted, whereas the Nikkei 225 is a price-weighted average.

The aim is for Nikkei 300 contracts to eventually replace those on the Nikkei 225.

The move by the OSE should help defuse the debate over futures trading in Japan. The financial authorities have long blamed OSE futures and options trading, based on a volatile index, for the weakness of Japanese share prices.

Although the OSE will not immediately abolish Nikkei 225 contracts, the aim is for the new contracts to take over as the most widely traded index futures in Japan. The bulk of stock futures trading is on the OSE, although its index is based on Tokyo cash prices. Over the past two years, TSE officials have introduced restrictions to curb speculative trading on the futures and options markets.

The restrictions have led to a shift in trading from the OSE to the Singapore International Monetary Exchange, which also lists Nikkei 225 futures. Futures trading volume in Osaka has almost halved since last year.

The ministry of finance and the Tokyo stock market authorities agreed in December that a capitalisation weighted average was needed as a benchmark for the futures market, rather than an average which gives a price weighting to all shares irrespective of differences in capitalisation.

Nihon Keizai Shimbun, the business newspaper that produces the index, insists that the Nikkei 300 is an additional index, and wants the Nikkei 225 to remain as a benchmark for the Tokyo stock market.

Traders pointed out yesterday that it was too early to say whether the new index would replace the Nikkei 225 as a new benchmark. However, Tokyo traders have begun shifting positions from the Nikkei 225 to the Nikkei 300, selling Nikkei 225 component stocks not included in the Nikkei 300.

Japanese traders are now focusing on the reaction at Simex, where volume could suffer if Japanese stock futures trading shifts from the Nikkei 225 to Nikkei 300.

Commerzbank to issue certificates of deposit

By David Waller in Frankfurt

COMMERZBANK, one of Germany's largest banks, is expanding its range of fund-raising instruments with its first issue of certificates of deposit (CDs).

These short-term instruments are an extremely popular source of fundraising for banks in the UK and the US, but rare in Germany. Only a handful of German credit institutions has issued CDs since they were made legal by the Bundesbank in 1986.

Commerzbank said yesterday that the minimum investment will be DM5m, and the yield will be above that of comparable German government securities.

Available immediately, they will have a maturity of at least 30 days.

Commerzbank said that the secondary market for the paper would be highly liquid.

The chief source of short-term finance for German banks is money left on deposit by corporate and private customers at rates which tend to be more favourable to the banks than in other countries.

The issue is part of a slow trend towards "securitisation" in German financial markets, the most obvious sign of which is the development of the commercial paper market.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 12

	Issued	Bid	Offer	Chg. day	Yield
U.S. DOLLAR STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate [illegible] for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	14	17
Other Fixed Interest	6	0	9
Commercial, Industrial	345	322	849
Financial & Property	174	104	542
Oil & Gas	20	10	49
Plantations	0	1	[illegible]
Mines	20	52	66
Others	44	29	55
Totals	561	532	1,594

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	110	94	Anglian Water Wts	105	+2½	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	High	Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
140	Nil	22/10	34pm	28pm	Adwest	28pm	-3
120	Nil	4/11	10pm	6pm	Appleyard	10pm	
35	Nil	25/10	1pm	¾pm	Britannia	¾pm	
1	Nil	1/11	1pm	½pm	[illegible]	1pm	
130	Nil	16/11	11pm	7pm	Friendly Hotels	7pm	-2
150	Nil	2/11	23pm	18pm	JIB	23pm	
280	Nil	2/11	77pm	49pm	MB Caradon	77pm	
180	Nil	10/11	23pm	13pm	Perry Group	13pm	
8	Nil	26/10	4pm	2½pm	Phoenix Timber	2½pm	
2½	Nil	25/10	¾pm	½pm	Wiggins	½pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 11
- Last Dealings Oct. 22
- Last Declarations Jan. 13
- For settlement Jan. 24

3-month call rate indications are shown in Saturday editions.

Calls: Amber Day, Caldwell, Chloride, Division Grp., Dickie (J.), Ex-Lands, Graystone, Greycoat, Hadleigh, Medeva, Micro Focus, Pentos, Pizza Express, Prospect Inds., Regalian Prop., SEP Indl., Storm Grp., TR Technology, Waverley Mining, Wellman. Puts: Ex-Lands, Hadleigh, Pizza Express, SEP Indl., Sherl, Steel Burrill Jones. Put & Call: NMC.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons (*188)	180	10½	14½	21½	3	8½	14
	180	2	6	13	16	22	28
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero (*407)	390	33	51½	62½	13	28½	37½
	420	17	38½	48	28	44½	54
Blue Circle (*288)	280	21	29	35	9	15½	23
	300	11½	21½	25	20½	26	33½
British Gas (*332)	330	10	19½	22½	12½	17½	24½
	360	3	8	10½	37	38	44
Dixons (*272)	260	25	33	40	9	17	20½
	280	14	22½	29½	19	28½	30½
Eurotunnel (*459)	420	60	-	-	13½	-	-
	460	34½	-	-	30½	-	-
Hillsdown (*161)	160	8½	13½	15	8	12½	19
	180	3	6½	7½	25	27	33½

October 12 Total Contracts 45,433
Calls 30,152 Puts 15,281
FT-SE Index Calls 10,842 Puts 10,389
Euro FT-SE Calls 3,979 Puts 478
* Underlying security price. † Long dated expiry dates.
Equity premiums are based on closing offer prices.
Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Oct 12	Day's change %	Mon Oct 11	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.32	+0.05	128.26	1.46	9.46
2	5-15 years (22)	156.88	+0.14	156.66	2.33	[illegible]
3	Over 15 years (9)	177.79	+0.22	177.39	1.68	9.70
4	Irredeemables (6)	210.49	+0.52	209.39	3.91	8.83
5	All stocks (62)	152.07	+0.13	151.88	1.93	[illegible]
	Index-Linked					
6	Up to 5 years (2)	187.77	+0.01	187.75	0.16	4.28
7	Over 5 years (11)	185.93	-0.05	186.02	0.95	3.69
8	All stocks (13)	186.21	-0.04	186.29	0.86	3.92
9	Debs & Loans (86)	144.88	+0.26	144.31	2.14	8.90

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 12	Mon Oct 11	Year ago (approx.)
	British Government				
1	Low	5 years	6.19	6.20	7.84
2	Coupons	15 years	6.98	7.00	8.88
3	(0%-7¾%)	20 years	7.10	7.12	8.91
4	Medium	5 years	6.44	6.46	8.41
5	Coupons	15 years	7.11	7.14	9.14
6	(8%-10¾%)	20 years	7.17	7.19	9.26
7	High	5 years	6.63	6.64	8.70
8	Coupons	15 years	[illegible]	7.36	9.42
9	(11%-)	20 years	7.34	7.37	9.49
10	Irredeemables(Flat Yield)		7.23	7.27	8.36
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.53	2.53	3.55
12	Inflation rate 5%	Over 5 yrs.	3.18	3.14	4.10
13	Inflation rate 10%	Up to 5 yrs.	1.77	1.76	2.71
14	Inflation rate 10%	Over 5 yrs.	2.98	2.97	3.90
15	Debs &	5 years	7.78	7.58	9.88
16	Loans	15 years	8.05	8.07	10.47
17		25 years	8.17	8.28	10.54

Go-ahead for ASH scrip plan

By Maggie Urry and David Blackwell

AUTOMATED Security (Holdings), the alarm leasing group, has gone ahead with its enhanced scrip dividend despite a sharp fall in its share price since it fixed the reference price a week ago, as a result of a profit warning last Friday.

The Stock Exchange still has to announce whether it is admitting the new shares to the Official List, although admission is normally a formality.

The group said the scheme was approved at a board meeting yesterday. Going ahead with the scrip saves ASH £4m through a £3.1m cash saving on the dividend payment and a £900,000 reduction in advance corporation tax payable. ASH said it was in the interests of the company and its shareholders to proceed.

Under the terms of the scheme, shareholders were offered an interim dividend of 3.03p in cash or 4.58p payable in new shares. Its share price fell 30p to 102p on Friday and yesterday closed at 97p, down 6p on the day. At this level, tax-paying shareholders would almost have been better off taking the cash dividend rather than the enhanced scrip.

A reference price of 142p a share was set by Barclays de Zoete Wedd, parent of de Zoete & Bevan, then one of ASH's joint brokers, at the market close on Tuesday last week, relating to the share price over the previous two hours. At this price, 3.21m shares needed to be issued to satisfy the 87.5 per cent take up of the enhanced scrip.

The broker then auctioned 892,000 of the new shares which investors had elected to sell at a strike price of 136p, 95.8 per cent of the reference price.

On Friday last week, ASH warned that its third quarter profits would be hit by £3m of exceptional costs. De Zoete & Bevan resigned as joint broker to ASH on Friday when the company refused to either cancel or amend the terms of the scrip offer.

As foreshadowed by last Friday's warning, ASH's pre-tax profits for the nine months ending August 31, announced yesterday after the market closed, were sharply down, falling by 75 per cent to £9.17m.

Total operating profit fell from £22.8m to £15.2m. However, this time there was a charge on discontinued operations of £2.1m incurred through the closure of the fire systems division. Previously discontinued operations contributed £5.5m.

The latest pre-tax figure included restructuring costs of £1.1m (£3.7m) and interest payments of £4.9m (£12.6m). The comparable figure also included a profit of £30.3m on the sale of the group's loss prevention subsidiary.

Total group turnover fell from £135m to £118m, although the previous figure included £46.4m from discontinued operations compared with £9.1m this time.

Earnings fell from 21.5p to 2p. The tax charge was down from £7.56m to £1.5m, reflecting the saving on ACT through the enhanced scrip dividend scheme.

Doubts rise over enhanced scrips

Maggie Urry on their prospects following the ASH debacle

THE furore over Automated Security's profit warning and enhanced scrip dividend, which led to de Zoete & Bevan, its joint broker, resigning in high dudgeon last Friday, has reinforced doubts about the whole notion of enhanced scrips.

When these beasts first arrived in the corporate finance menagerie in March – invented by BZW, de Zoete & Bevan's parent – they were seen as a clever way for companies with surplus advance corporation tax to cut their tax bill.

At first it was suggested that enhanced scrips would be offered by only a few companies which were suffering surplus ACT because they derived a large part of their profits from outside the UK, and probably only on one occasion. But the list of companies offering these devices has lengthened, and some have come back with a second issue.

Enhanced scrips offer shareholders a dividend in shares at a rate 50 per cent higher than the cash value of the payment. Share dividends do not attract ACT, while cash dividends do.

If investors take up the enhanced scrip, the company saves ACT and retains the cash that would otherwise be paid in dividend.

Investors getting a higher dividend were reckoned to be happy too. Non-taxpaying investors cannot reclaim tax on an enhanced scrip, but the higher payout more than compensates them. Take-up rates for enhanced scrips have been high, often 90 per cent or more.

But some investors fear companies will repeatedly offer enhanced scrips, which in effect become a rolling rights issue – the company is raising money by issuing shares.

Yet the safeguards demanded by the Stock Exchange for rights issues – in terms of the information required in a rights-issue document, such as working capital and current trading statements – do not apply to enhanced scrips. The level of due diligence carried out by the advisers is far lower, even though the risk period is longer. Rights issues typically take three weeks from announcement to completion, while ASH's enhanced scrip was announced in mid-July and will be completed today.

Bankers respond that the same safeguards need not apply, because enhanced scrips increase a company's share capital by perhaps 3 or 4 per cent, compared with a rights issue which might expand the equity base by a quarter or a third.

Further, some companies which have offered enhanced scrips seem to be using them not to get round a structural tax problem but as an alternative to cutting a dividend which they have not got the cash to pay. But the result is they have yet more shares on which to pay dividends.

Forte, the hotel group, combined a cut dividend with an enhanced scrip. Lucas Industries, which announced an enhanced scrip on Monday with its annual results, would have had to pay a cash dividend from reserves.

So what went wrong with ASH's enhanced scrip? Essentially, Friday's profit warning drove down ASH's share price, putting the company in the position of issuing shares at a price far out of line with the market price. Worse, from BZW's viewpoint, the broker had sold some of the new shares to its clients only days before the warning.

In enhanced scrips, shareholders are not just offered the choice of a cash dividend or a larger share dividend. They have a further option to take the dividend in shares, but then sell the new shares, getting at least a guaranteed price through an underwriting arrangement with the company's broker.

In ASH's case BZW underwrote the new shares at a price of 95 per cent of the reference price, the price used to calculate the number of shares to be issued to meet the dividend payment.

With hindsight, this underwriting price might have been a warning. When enhanced scrips were invented, the underwriting price was typically set at 95 per cent of the reference price. But this discount rapidly attracted competition from other houses, led by Swiss Bank Corporation, willing to underwrite closer to the reference price.

Now houses bid for the underwriting and the guaranteed price can be as high as 99 per cent of the reference price. Further, houses attempt to sell the shares above the underwriting price through an auction, giving the selling shareholders "best execution" and cutting the profit which the brokers could make on the underwriting.

It was not till Thursday last week that ASH told BZW it was concerned about some of the numbers it was seeing when collecting figures for its third quarter results, which were published yesterday.

BZW advised ASH to make a trading statement, which ASH did on Friday morning, and also to either cancel or adjust the price for the enhanced scrip. ASH refused to do the latter within the time limit BZW had set, leading the broker to resign.

The question of enhanced scrips may vanish after the next month's Budget. This is expected to clarify a proposal in the spring Budget for a system of paying ACT-free dividends from foreign income.

If the main structural problem causing surplus ACT is ironed out by the budget, companies which persist with enhanced scrips thereafter would be exposed as using them for other reasons. These may be the dubious ones that their dividends have not stayed in line with the profits available to pay for them, in which case a dividend cut rather than an enhanced scrip is the answer.

Investors would look closely at a company's motives for offering an enhanced scrip before accepting, and the animal may die a natural death.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.08	18.07	18.07
0100	17.99	18.07	18.07
0130	18.05	18.07	18.07
0200	20.08	18.07	18.07
0230	20.08	18.07	18.07
0300	20.88	18.07	18.07
0330	20.09	18.07	18.07
0400	18.08	18.07	18.07
0430	18.04	18.07	18.07
0500	18.04	18.09	18.08
0530	18.08	18.06	18.08
0600	18.01	18.06	18.08
0630	18.05	18.07	18.07
0700	18.54	21.64	24.18
0730	25.92	27.08	28.51
0800	28.87	28.12	30.79
0830	28.57	28.69	31.50
0900	28.57	31.21	34.30
0930	26.48	31.91	35.18
1000	26.50	32.17	35.52
1030	26.50	31.98	35.28
1100	26.50	30.70	34.04
1130	33.95	40.86	44.46
1200	33.97	41.28	44.92
1230	33.95	40.73	44.15
1300	33.95	31.40	34.56
1330	25.63	28.15	31.00
1400	25.62	27.65	30.35
1430	25.62	27.42	30.07
1500	25.62	27.37	30.01
1530	25.62	26.64	29.28
1600	26.65	27.03	29.81
1630	27.05	34.08	37.16
1700	27.98	38.22	41.45
1730	30.41	37.82	40.92
1800	30.42	36.60	39.62
1830	31.76	28.26	30.92
1900	35.21	24.89	27.43
1930	35.12	24.95	27.51
2000	34.94	36.14	38.70
2030	26.96	36.13	38.70
2100	24.75	34.43	36.97
2130	24.75	24.95	27.38
2200	24.56	24.72	27.24
2230	21.68	24.66	27.15
2300	21.59	23.60	26.32
2330	20.81	18.54	18.54
2400	18.08	18.24	18.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]
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Plysu shares fall 20p on warning

By Richard Gourlay

SHARES IN Plysu, the maker of plastic bottles, fell 20p to 220p after the company warned profits would be well below market expectations.

Mr Stephen Nobbs, finance director, said Plysu was comfortable with its brokers' downgrading of pre-tax profits for the year from the £12m previously forecast to £8m.

Plysu said it had successfully concluded negotiations with leading UK dairy groups for the supply of milk and juice bottles. The negotiations had, however, taken three to four months longer than anticipated which would have a temporary adverse effect on profits this year.

Profits would be "well below market expectations" but it remained confident that prospects for subsequent years were excellent.

On the new profits forecast Plysu is trading on a prospective multiple for the year of about 20, described by one analyst as allowing little scope for further delays in the economic recovery.

Pathfinder from HCG Lloyd's

By Richard Lapper

HCG Lloyd's Investment Trust, one of a number of new corporate investors at the Lloyd's of London insurance market, yesterday published its pathfinder prospectus.

The trust, which is backed by a range of US and UK investment institutions, aims to raise up to £100m and will support between 25 and 45 Lloyd's syndicates. It will seek a stock market listing later this month via an institutional placing sponsored by UBS and has appointed JPO Hambro & Partners as investment manager.

The trust's underwriting subsidiaries will be advised on Lloyd's syndicate participation by JO Hambro Conning Grimston.

M&S set to open franchise in Turkey

By John Murray Brown in Istanbul

MARKS AND Spencer aims to break new ground by opening a franchise operation in Turkey. The country's economy grew faster than any in Europe last year.

The company, which has previously concentrated its franchises in North America and continental Europe said it was looking for a Turkish partner with the financial muscle for a retail operation with annual turnover of at least £50m.

"We believe there are opportunities for our particular formula in Turkey," the company said yesterday.

The operation, in line with recent successful franchises in Hungary and Austria, would start by retailing ladies' lingerie and toiletries. The project is a pilot scheme. Initially, the stores would be about 2,000 sq ft, compared with about 30,000 for a UK branch.

Risk capital would be provided by the Turkish franchisee, while Marks and Spencer would supply merchandise.

Turkey's consumer market is driven by rising personal incomes, fast urbanisation and rapid changes in consumer taste, with importance attached to brand names and packaging.

Retails chains currently account for 7 per cent of the market nationally and about 12 per cent in the big cities, Istanbul, Izmir and Ankara.

Goode Durrant acquisitions

Goode Durrant has acquired Bowey Hire, a car and van hire company based in north-east England for £818,500 cash, and Trukvan Rental, based in Manchester, for £600,000 cash.

Westwood Dawes makes disposal

Westwood Dawes, a subsidiary of Mining & Allied Supplies, has sold certain assets relating to its rollers and idlers manufacturing division to MS International for £400,000 cash.

St Ives rises but shows concern over VAT threat

By Paul Taylor

ST IVES, the UK's largest independent printer, yesterday reported a 4.8 per cent increase in pre-tax profits to £22.1m for the 52 weeks to July 30.

However, Mr Miles Emley, presenting his first set of results since succeeding Mr Robert Gavron as chairman in May, said there had been little improvement in most of the group's markets and warned that the threat of imposition of VAT in the UK on some of its products "represents a continuing uncertainty."

The £1m improvement in profits came from turnover ahead by 6.4 per cent to £221.3m.

Earnings per share were unchanged at 15.2p. The recommended final dividend is increased to 4p (3.75p) making a 5.5p (5.25p) total.

Profit margins at both the pre-interest and pre-tax levels were almost static at 9.5 per cent and 10 per cent respectively which Mr Emley said was "a creditable result in trading conditions which have been far from easy."

He added that the modest recovery in the UK economy that was experienced towards the end of the financial year had been mainly export-led and had not benefited the group.

The overall returns in the group's core UK magazine business were lower than in the previous year although Mr Emley said the downward pressure on prices had eased and in some cases the group had been able to agree price increases "modestly in excess of inflation."

Conditions in the group's US markets, which account for 10 per cent of turnover, deteriorated in the second half leading to markedly lower volumes – particularly in medical titles which were affected by the US government's healthcare review.

Among St Ives other operations the book printing business boosted sales and, based on the group's reputation for thin paper printing, lifted its share of the international bible and reference book market.

Looking ahead Mr Emley said: "It is still too early to judge whether the current increase in activity represents more than a seasonal upturn."

● COMMENT

St Ives' results were in line with market expectations; however, Mr Emley's comments were cautious and the shares closed 3p lower at 299p, down from a peak of 346p in the spring. Shareholders' funds were just short of £100m at the year-end and the group had £21.6m of net cash, up from £13.5m a year earlier. Capital spending this year will be about £20m and, like the £106.9m spent in the past five years, will be financed from cash flow. The UK printing market remains tough and the US business is still losing money. But with a bit of a struggle pre-tax profits should reach £24m this year producing earnings of 16.4p and a prospective p/e of slightly over 18.

FR falls 5% to £10.4m and warns on second six months

By Richard Gourlay

FR GROUP, the maker of in-flight refuelling equipment, yesterday disappointed the market with a 5 per cent fall in interim pre-tax profits and a larger fall in earnings, partly due to an increase in the tax charge.

Mr Gordon Page, chief executive, said that the cost of redundancies announced in August at Flight Refuelling and some closure costs would mean the next six month period was unlikely to produce results materially different from the first half.

For the six months to June 30 pre-tax profits fell from £11m to £10.4m, on sales ahead 2 per cent at £86.9m. Earnings per share fell from 10.2p to 9.01p and the interim dividend is unchanged at 2.46p.

The group also announced the £13m acquisition of High Temperature Engineers, a company that makes aerospace components similar to those produced by Flight Refuelling.

Mr Page said the acquisition should give the group critical mass in fuel systems. It would double Flight Refuelling's aircraft fuel systems business.

Flight Refuelling suffered from lower demand for civil aerospace products worldwide and a fall in defence procurement spending and some delays in the placing of contracts. Stanley Aviation, which supplies engine positioners to the USAF, experienced technical difficulties.

FR was also hit by falling demand from the Dutch armed forces for ammunition containers and has decided to close part of its Markhorst business in the Netherlands.

Mr Page said that the other businesses, comprising about 66 per cent of the group's sales, were doing well. Redundancy costs in the second half should be about £1.4m.

FR also said it has exchanged a contact to buy the assets of the life support products division of Aro Corporation, a subsidiary of Ingersoll-Rand. It is paying about $9.5m (£6.3m) and completion is expected later this year.

FR's shares closed 19p lower at 232p.

● COMMENT

In the short term it is difficult to get excited about FR's prospects. Despite being well placed with niche military and aerospace products these results demonstrate that both markets are vulnerable to postponement of customers' programmes. Granted the Ministry of Defence should decide to go with the Phoenix programme after the budget, with positive impact on profitability next year. And the HTE acquisition has for the first time given FR a critical mass in fuel systems that could be developed. But with the uncertainty surrounding timing of its contracts, a prospective multiple of about 12.8, on profits of £20.8m, is a correct rating.

William Sinclair down 17% to £3.8m

By Peter Pearse

WILLIAM Sinclair Holdings, a supplier of products to the garden, leisure and pet markets, yesterday reported profits down 17 per cent at £3.82m.

This was in line with its warning on June 28 that profits for the year to June 30 would be 15-20 per cent below last time's £4.61m.

However, under FRS 3, the profit and loss account showed that pre-tax profits increased from a restated £2.96m, after an aggregate £1.45m exceptional charge in the restated 1992 figures for two disposals.

Interest receivable was sharply cut to £146,000 (£345,000), partly as a result of lower interest rates and partly because cash balances declined to £6m (£7.5m), after the payment of the cash element of the acquisition of Secto.

Mr Tom Sinclair, chairman, described the year as "one of mixed fortunes". The group's profits shortfall was due to "the cold and wet weather conditions" affecting the horticultural division. Operating profits here declined to £2.29m (£3.14m) on turnover of £27.1m (£26.9m).

The almost doubled rainfall in Scotland led to a poor peat harvest and the need to buy peat from other suppliers for Sinclair's J Arthur Bowers products. However, market share was increased across Bowers' three products: compost up to 19.1 (17.1) per cent; bark to 14.5 (8.5) per cent; and fertiliser to 31.7 (28.4) per cent.

On the pet, aquatics and household products side profits grew 41 per cent to £1.38m (£977,000) on turnover of £11.4m (£8.76m).

Group exports expanded to £3.4m (£2.87m), with pet products going mainly to Europe and horticultural products to the Middle and Far East.

Earnings under FRS 3 grew to 12.2p (8.3p) per share, though on the headline profits basis, they fell to 11.9p (14.8p). The final dividend is held at 5.3p for a maintained 7p total.

Sun Alliance raises £125m via placing

By Richard Lapper

SUN ALLIANCE, the composite insurance group, yesterday raised £125m through a placement of cumulative irredeemable preference shares.

The issue, which was foreshadowed when the company reported its results for the first half of 1993 in September, will strengthen the capital base at a time of rising insurance rates in the UK.

Sun Alliance said the money would also allow the growth of its business overseas.

It obtained shareholders' permission to raise up to £300m in preference shares at an extraordinary meeting last month.

Cazenove and SG Warburg placed the issue.

Sun Alliance reported a profit before tax of £61.7m in the first six months of 1993.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Boxmore Intl §	int	1.25	Nov 18	1.15	-	3.55
City of Oxford	int	1.2‡	Nov 30	1.2	-	5
Clinton Cards	int	1.6	Nov 16	1.5	-	4.25
Derwent Valley	int	3.05†	Nov 19	2.9	-	8.6
FR	int	2.46	Dec 13	2.46	-	7.2
Ross	int	0.2	-	0.2	-	0.65
St Ives	fin	4	Dec 3	3.75	5.5	5.25
Sinclair (Wm)	fin	5.3	Nov 13	5.3	7	7
Thorntons	fin	2.4	Nov 30	2.4	3.55	3.55
Town Centre Secs	fin	2.3	Jan 3	2.1	3.4	3.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Second interim; makes 2.4p to date.

US concerns hit Micro Focus

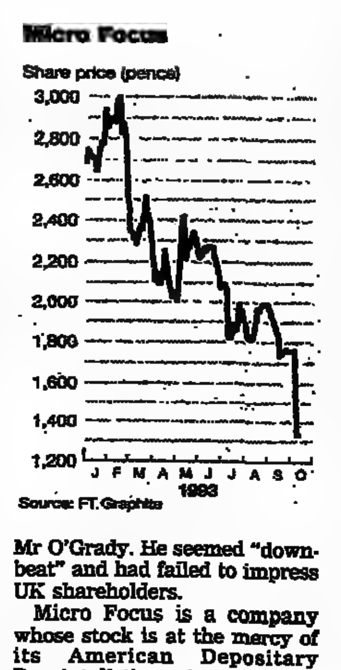
Alan Cane looks at the worries behind the fall of a software star

THE MARKET value of Micro Focus has fallen sharply over the past few weeks as US investors question the company's ability to maintain its hitherto impressive record for growth and profitability.

Last night shares in the Berkshire-based software house closed at £13.33 in thin trading having lost 25 per cent of their value in the past seven days alone. They stood at just over £30 in February this year. The company is now capitalised at £188m compared with over £400m at its peak.

The share price was not helped by a sell note last week from a US analyst, Mr Paul Bloom, of brokers Volpe, Welty & Co, a company which in earlier years had praised Micro Focus' management and market positioning. Mr Paul O'Grady, Micro Focus managing director, said Mr Bloom had issued the note without consultation with the company.

In the UK, however, analysts were not reassured by a round of presentations last week from Mr O'Grady. He seemed "downbeat" and had failed to impress UK shareholders.



Source: FT Graphite

Micro Focus is a company whose stock is at the mercy of its American Depositary Receipt listing. At one stage almost 40 per cent of its shares were held in the form of ADRs; now the total is about 20 per cent. US investment has been behind the dramatic rise in Micro Focus' share price over the past three years. Now it is the root cause of its collapse.

US investors understand the software market better than their European counterparts. Micro Focus had powerful appeal because it had developed a set of tools – software which makes it easier to write other software – which were of obvious value in corporate data centres. They made it possible to write software in Cobol, the most common business language, on cheap personal computers rather than taking up expensive mainframe time. Micro Focus has an alliance with Microsoft, the world's largest software company, through which Micro Focus tools are included in Microsoft products.

Mainframes, however, are gradually giving way to networks of smaller computers (client-server systems) and Cobol will eventually be superseded by more modern computer languages; the question hanging over Micro Focus has always been: when?

So US investors began to take fright when the company recorded flat profits and a mere 11 per cent rise in revenues in dollar terms in the first half of the year. Typically Micro Focus has grown both revenues and profits by more than 20 per cent. In sterling terms, revenues were £40.8m and pre-tax profits £11.6m for the first half.

US investors also noted poor performances from traditional mainframe vendors such as Amdahl and concluded the shift to client-server systems was under way.

Mr O'Grady said yesterday that Micro Focus was well positioned to exploit moves to newer technology.

UK analysts agreed yesterday that little had changed in the company's underlying trading performance and were maintaining estimates of pre-tax profits for the full year at between £27m and £30m. The company has £53m cash.

Thorntons hit by French provisions

By Catherine Milton

THORNTONS, the chocolate maker and retailer, was plunged deeply into the red in the year to June 26 by the cost of restructuring lossmaking French businesses and new accounting rules.

The company warned of the impending problems in May.

The loss was £4.8m against a pre-tax profit of £9.2m a year earlier. Operating profits of £9.35m (£10.4m) were wiped out by one-off provisions of £7.63m made against restructuring in France as well as a £5.41m charge for goodwill previously written off to reserves taken to the profit and loss account.

But the board, confident about the future, recommended a maintained final dividend of 2.4p to give a same-again total of 3.65p. Losses per share were 11.94p (profits of 9.9p).

"The current year will see the benefit of the changes we made in the past year to our management and organisational structure," said Mr John Thornton, chairman and chief executive.

Sales rose to £92.5m (£84.3m). "On a like-for-like basis UK sales were up 4.8 per cent. We are seeing the benefit of a lot of work on our ranges and pricing points and believe this performance is good against the broader retail background."

In the UK and Belgium total sales rose 8.3 per cent to £81.9m giving operating profits of £11.1m (£11.4m) as Thorntons opened a net 12 new shops and franchised 27 others. The company said start up and launch costs associated with product development during the year had depressed UK operating margins.

Total turnover in France was £10.6m (£8.73m) and operating losses were £1.74m (£960,000). The company has appointed Mr John Coyle as managing director, Europe. He is now based in Paris. The restructured operation will consist of 35 confectionery and ice cream shops, down from 60, concentrated in the Paris region.

Borrowings at the year end were £8.1m (£2m) giving gearing of 19 per cent (4 per cent). Interest payments climbed to £978,000 (£565,000).

● COMMENT

Thorntons' French folly has now cost at least £20m including accumulated losses and restructuring provisions. It bought lossmaking businesses at the top of the market and then found profits resisted the export of its management expertise and product lines. The company says the pain is over now, with the remaining shops profitable in spite of the downturn in France. Meanwhile, strength in the UK, where most of the business is based, surprised some in the market, with last year's revamp of the core ranges apparently paying off. Still, with analysts forecasting profits of £11.5m, a multiple of 14 is a discount to other specialist retailers but stands at a small premium to Cadbury Schweppes.


Trevor Humphries
John Thornton (left) with Alan Goodwin, finance director: the current year will see the benefit of changes already made

Virtuality valued at £44.4m in placing

By Gary Mead

VIRTUALITY GROUP, the designer and manufacturer of virtual reality computer games, is to obtain a full Stock Exchange listing by placing 7.43m shares at 170p each, to raise £9.45m net.

The funds will be used to provide additional working capital, to finance product development, and to redeem outstanding preference shares.

Dealings in the shares are expected to commence on October 19. The placing gives Virtuality – which was founded in 1987 – a market capitalisation of £44.4m.

The biggest single shareholder will continue to be Apax Partners, the venture capital company, at 50.9 per cent. The total holding by directors will be 12.1 per cent. Other Virtuality employee holdings will amount to some 5 per cent of the enlarged share capital. Motorola intends acquiring 3.8 per cent and IBM (Europe) 2.2 per cent.

Motorola and IBM's decision to invest in the company is thought to be connected with its programme of developing home-based virtual reality technology, aimed at bringing what is at present only available in games arcades into the living room.

Virtuality currently has an installed base of some 360 game machines across the world.

Mr Jon Waldern, managing director, said that the flotation and the capital raised would enable it to continue developing high performance virtual reality technology.

The total number of shares in issue following the placing is 26.1m; the value of the shares being placed in this flotation is £12.6m. The percentage of enlarged share capital being placed is 28.4 per cent.

The group had turnover of £5.24m in the 1992 year, with a pre-tax profit of £217,000 and earnings per share of 1.1p.

Northern base benefits Town Centre Securities

By David Blackwell

TOWN CENTRE Securities, the Leeds-based property development group, lifted pre-tax profits by almost 11 per cent from £7.25m to £8.04m over the year to June 30.

Mr Edward Ziff, who was appointed managing director earlier this month, said the group was lucky to hold most of its property in the north of England and Scotland – "outside the trauma of most of the property market." Rental growth had been "only mediocre, but by today's standards any growth is terrific news."

Gross revenues rose from £16.9m to £18.2m, and operating profits were ahead from £12.8m to £14.1m. Interest payable increased from £5.58m to £6m. Gearing was 50.8 per cent at the group's year-end, compared with 44.2 per cent.

About 65 per cent of the portfolio lies in the retail sector. Mr Ziff said that for the first time in recent years the group had been able to buy good quality retail properties and show an immediate return in relation to the cost of borrowing.

Most of the remaining property is in the office market, which he described as "very difficult".

An internal property valuation put values ahead by 1.4 per cent, giving fully diluted net assets per share of 123.07p (118.32p).

Earnings per share were up from 5.12p to 5.59p. A final dividend of 2.3p is proposed, giving a total for the year of 3.4p (3.1p).

The shares rose 4p to 137p.

Roxboro predicts sharp upturn

By Paul Taylor

ROXBORO, the Newmarket-based manufacturer of specialist electronic components which is coming to the market later this month, yesterday forecast sharply higher trading and pre-tax profits for the current year.

The group, which issued its pathfinder prospectus yesterday, said trading profits after central costs but before exceptional costs of £500,000, related to the closure of a factory, would more than double to at least £6.5m in the year to December 31. This compares with £3.1m last year.

Pre-tax profits after net interest costs of £300,000 (£500,000) were forecast to increase to £5.7m (£3.8m).

The profit improvement mainly reflects the positive effects of a restructuring programme undertaken by Mr Harry Tee, Roxboro's chief executive, after he led a management buy-out of the electronic components division of Cambridge Electronic Industries (now Graseby) in mid-1990.

Since then Mr Tee has improved productivity and refocused Roxboro away from low-margin commodity components and towards production of higher-margin value-added devices through its two core businesses, BLP in the UK and Dialight in the US.

As a result, trading margins have risen from 7.6 per cent in the year of the buy-out to 16.4 per cent in the 1993 first half.

The offer for sale and placing with institutional investors is expected to raise about £50m and value the company at about £80m. Some 35 per cent of the shares on offer will be available to the public.

Schroder Ventures, which backed the management buy-out, will receive £25.5m gross of the proceeds and retain a 20 per cent stake in the enlarged group. Roxboro's management will also retain a 20 per cent stake after raising £10.5m from the offer.

The offer will also raise up to £15m for the company itself which will be used to repay debt and other borrowings and to fund the group's plans for expansion. After the flotation Roxboro will have about £5.1m of net cash.

Pricing is set for October 26 and is expected to reflect a prospective multiple of about 18 which would represent a moderate discount to comparable stocks like Bowthorpe and Telemetrix.

The sponsor is Samuel Montague and dealings are expected to begin on November 10.

Buoyant sales help Tie Rack advance to £872,000

By Catherine Milton

BUOYANT TRADING helped Tie Rack more than double pre-tax profits from £301,000 to £872,000 in the specialist retailer's seasonally weak first half to August 15.

Sales rose from £25.3m to £33m as the company, which trades in 14 countries, moved into Germany and Switzerland, as well as franchising an outlet in Austria.

"The healthy increase in profits has been generated by good sales growth in the UK, Australia and continental Europe generally," said Mr Roy Bishko, chairman.

He said sales in the second half were satisfactory.

"We are fairly cautious about the rest of the year because we consider consumer confidence is still fairly fragile and there are all sorts of warning signs about the November budget which could not be worst timed for retailers."

Tie Rack, which claims 12 per cent of the fragmented £200m UK tie market, increased outlets to 282 (263), an increase of 10 since the beginning of the year, with 149 in the UK and 133 overseas.

Franchises are now less than 18 per cent of the total.

Since the half year end a further 10 shops had been opened and a further 12 were planned, the company said.

Operating profits jumped to £787,000 (£163,000).

Net cash balances were £6.9m (£768,000) at the half-way stage on the back of strong profits performance over the last 12 months as well as lower working capital.

Capital expenditure, at £1m (£500,000), had been lower than depreciation charges.

The company has yet to pay last year's £2m tax charge which will be paid in the second half.

Interest payments were £167,000 (£161,000).

Tie Rack expects to spend £3m developing the business over the full year, including £500,000 as part of its £1.5m programme of installing electronic funds transfer at point of sale technology in all shops.

Earnings per share moved ahead from 0.38p to 1.05p.

Interim losses cut at Clinton Cards

By Peter Pearse

CLINTON CARDS, which claims 7.5 per cent of the greetings cards market, against WH Smith's 7 per cent, reduced pre-tax losses from £1.29m to £956,000 in the six months to July 31.

Losses per share emerged at 3.66p (4.94p); the interim dividend, however, is lifted to 1.6p (1.5p). The shares fell 4p to 161p.

Mr Don Lewin, chairman, said that as long as the group had been expanding the number of its outlets, first-half losses had been traditional. During the six months, it opened 18 shops, bringing the total to 272. Mr Lewin said the expansion "was not slowing down, just cautious".

Mr Barry Hartog, finance director, added that the additional shops had been mostly on high streets and not in shopping centres, so there had been little in the way of reverse premiums, which the group no longer enters into the profit and loss account.

Turnover, including VAT, rose to £37.6m (£33.3m). Operating losses shrank to £770,000 (£897,000). Net interest payable was £186,000 (£393,000) – the group does not reveal borrowings figures at the half-way stage, but Mr Hartog said they were down 40 per cent over last time, though they peak in October in the run-up to Christmas, the group's most important trading period.

Mr Lewin reckoned that any upturn in the UK economy had been patchy. The amount that customers – more than 80 per cent of whom are women – spend had remained stable, but the group depends on "footfall": if the high streets are emptier, then fewer customers cross the shops' thresholds.

NEWS DIGEST

Currency gain lifts Boxmore

INCLUDING an exceptional currency gain of £323,000, profits of Boxmore International, the USM-quoted packaging and printing group, rose from £2.05m to £2.72m pre-tax for the half year to June 30.

The 33 per cent improvement came from turnover ahead £1.2m at £17m. The interim dividend is lifted to 1.25p (1.15p) from earnings of 9.4p (7.3p).

Net cash balances at the period end totalled £2.73m after investment in new plant and buildings of £4m. Directors anticipated capital investment of over £5m in the second half.

Australia gives nod to T&L sweetener

Australia has become the third country, following Canada and Russia, whose government has approved the use of sucralose, Tate & Lyle's new low-calorie sweetener, in a wide range of foods and drinks.

Sucralose will be marketed in Australia under the Splenda brand name, by Johnson & Johnson Pacific Pty, a member of the Johnson & Johnson group.

GPG offshoot bids for Power Brewing

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, said its wholly owned Australian subsidiary, GPG Pty, would make an offer for Power Brewing Company of Australia.

The offer would be 44 cents a share for 50 per cent of each member's fully paid ordinary 50 cent share in PBC. Total consideration would be about A$17.32m (£7.46m).

PBC, which is listed on the Australian stock exchange, is mainly involved in marketing Power's beer through its joint venture with Carlton and United Breweries. For the nine months to June 30 it reported operating profits after tax of A$2.13m (£920,000).

GPG is currently entitled to 8.3 per cent of its issued capital.

TDG US sale terms amended

Transport Development Group said that it hoped to receive the outstanding $14.3m (£9.4m) payment on its sale of Willig Freight Lines in the US on or before November 30.

The purchasers had been due to pay $7.5m on September 30 with the balance on November 30, but despite efforts to adhere to the sale terms, they were unable to make the payment.

However, letters of intent, satisfactory to TDG, had been signed between the purchasers and their potential financial partners which should enable the single payment to be made on or before the end of next month. The sale to a management team was first announced last November.

Fleming Chinese oversubscribed

The public offer for the Fleming Chinese Investment Trust was 2.7 times oversubscribed. A total of £60m was raised, £45m through an initial placing. Applications for 40.6m shares at £1 a share, with one warrant attached to every five shares, were received for the £15m worth of shares available through the public offer.

All applications have been scaled back, and investors have been alloted between 67 per cent and 4.6 per cent of the shares they applied for. Dealings start on October 19.

Frost pays £4.5m for 17 Texaco sites

Frost Group, the independent petrol retailer, is to acquire a further 17 sites from Texaco for £4.52m cash funded from its own resources.

The majority of the sites are located in the north-west of England and the purchase increases Frost's petrol retailing outlets to 168.

City of Oxford net asset value improves

The City of Oxford Investment Trust reported a net asset value of 38.5p per share as at September 30.

The figure compared with values of 17.6p at the same stage of 1992 and 32.7p at the trust's March year-end.

Net revenue for the six months to end-September amounted to £730,219, down from £781,145, for earnings of 2.43p (2.6p) per share. A second interim dividend of 1.2p brings the total to date to 2.4p.

Derwent Valley leaps to top £1m

Derwent Valley Holdings, the property group, hoisted pre-tax profits by 86 per cent from £603,000 to £1.12m in the first half of 1993.

The company pointed out that the results did not benefit from the share issue and acquisitions announced in June.

Following the £16.9m issue of new shares, Derwent invested £10.3m in several properties, all of which are let on long leases. An office building in Victoria was acquired for £1.8m, while the remaining proceeds of £4.8m would be used for future purchases and refurbishment of existing properties.

Net property revenue improved from £3.15m to £3.22m. Earnings per share climbed from 5.2p to 9.9p, and an interim dividend of 3.05p (2.9p) is declared on the increased capital.

Caledonia buys 33% stake in Sun Intl

Caledonia Investments, the investment holding company controlled by the Cayzer family, is paying $44m (£29m) for a 33 per cent stake in Sun International Investments, which is run by Mr Sol Kerzner, the South African resorts operator.

The investment is contingent on Sun completing the $70m purchase announced yesterday of a 60 per cent stake in the Paradise Island resort in the Bahamas. Sun is planning a $100m redevelopment of the resort.

The other shareholders in Sun are Royale Resorts Holdings, a subsidiary of Safmarine and Rennies Holdings, and World Leisure Group, representing Mr Kerzner's interests.

Cooper Clarke to delist from USM

Cooper Clarke Group, the builders' merchant which earlier this week reported interim profits up from £125,000 to £204,000, yesterday announced that it intended to delist its shares on the USM with effect from October 28.

Following the cancellation of its quotation, the company will continue to trade as a plc, but its shares will no longer be traded on the USM.

Expanding Ross drops to £0.6m

Adverse currency movements, a delay in receiving a large engineering contract and a disappointing performance in consumer electronics all contributed to depress first half profits at Ross Group.

The pre-tax line for the six months to June 30 was down from £1.35m to £602,000, on turnover of £27.3m (£23.5m).

The shares fell 6p to 23p.

Earnings came out at 0.29p, against 0.73p (0.4p adjusting for profit from the sale of properties in 1992). The interim dividend is held at 0.2p.

Ross is to buy two companies, Cascade and Keenon, from Tomei of Hong Kong for £4m. Cascade is a consumer electronics company; Keenon provides sourcing, shipping and inspection services in the Far East.

The consideration will be satisfied by the issue to Tomei of 13.3m new shares at 30p. Tomei will also subscribe for an additional 2.3m shares worth £700,000 to finance future expansion.

COMMODITIES AND AGRICULTURE

LME chairman in attack on 'malicious gossip'

By Kenneth Gooding, Mining Correspondent

A SPIRITED defence of the London Metal Exchange's recent decision to intervene in its copper market after widespread complaints that the price was being manipulated upwards came last night from *Mr Raj Bagri, the LME chairman.*

He said that mobility in international money markets and a massive increase in options and other derivatives activity "makes it comparatively easy or tempting for one or more participants, individually or acting in concert, to create in any free market like ours such dominant positions so as to result in potentially undesirable situations or practices. We must be vigilant and ready to deal with such situations as and when the need arises."

Speaking at the LME's annual dinner, Mr Bagri *suggested that some people,* "whose designs have been frustrated by firm actions of the LME board" might indulge in "malicious gossip." But he urged anyone who genuinely believed the board had acted with self-interested motives to furnish him with substantiated evidence "because I am keen to ensure that, like our market, the LME board itself continues to meet the highest ethical standards."

Mr Bagri insisted the board believed in free markets "but we also have a duty and obligation to run an orderly market and we are determined that the confidence reposed by the overwhelming majority of the metals trade and industry around the world in our reference prices continues to be justified and that these prices continue to be transparently and independently established without unwarranted distortions."

Mr Douglas Yearley, chairman of Phelps Dodge, the biggest US copper producer, said that, as a miner and producer of tangible material, he was uneasy about the use of derivatives, some of which were like "echoes of shadows". He said monitoring procedures could not keep pace with the fast growth in derivative activity "and leaves us open to the potential, at least, of a meltdown".

Mr Yearley also provocatively suggested that in a few years the environmental movement would be more responsible for setting metal prices than the LME. "The environmental movement's power is growing and that power is not going to be reversed in our lifetimes."

The demand for pristine, rather than simply reasonable, environmental standards "is becoming a moral absolute in my country", he said.

The "not in my backyard" attitude towards mining was growing into "not in your backyard either", he added, a change illustrated by the North American Free Trade Agreement, signed in August, which spelled out the standards and regulations on how Nafta countries must comply with environmental policy.

Sri Lanka poised to regain tea export lead after 1992 setback

By Richard Cowper in Colombo

SRI LANKA is poised to regain its position as the world's largest exporter of tea this year because of a strong recovery in output following a disastrous drought in 1992.

According to the Sri Lankan Tea Commission, output in the first eight months of 1993 was 149,300 tonnes, up 33 per cent on the same period of 1992.

Better weather and improved agricultural practices arising out of quasi-privatisation of the country's 500 state-owned estates means that output for the whole year is likely to reach about 225,000 tonnes, up 26 per cent on last year.

In 1992, the most severe drought in decades drove output down to 178,000 tonnes, the lowest since 1956.

"Output will not be as high as the record 241,000 tonnes we produced in 1991 but it will be back to average levels of the last decade," said Mr L.G. Munasinghe, the country's Tea Commissioner.

He was optimistic that changes in field practices by the new estate managements could push production up further next year, possibly to as much as 250,000 tones.

Because Sri Lanka exports 90 per cent of its production, this year's sharp increase in output has fed through to overseas sales. According to Mr T. Sambasivam, deputy director-general of the Tea Board, Sri Lanka is certain to replace India as the world's top exporter this year. It is expected to ship about 205,000 tonnes for the whole year, up 15 per cent on 1992.

The Tea Board says exports in the first seven months of 1993 were 117,000 tonnes, up 17 per cent on the same period of 1992. Higher tea prices mean the increase in value has been sharper. Exports in the first seven months brought in $215m, *up 20 per cent on the* $179m earned in the same period of 1992.

Swedish gold miner aims to up the stakes

Christopher Brown-Humes on a small but profitable business that is coming to market

The fact that the mine is open cast, rather than underground, helps to keep operating costs down.

THE UNLIKELY *site for* Europe's largest gold mine is a place called Björkdal just 300km south of the Arctic circle in northern Sweden.

Until now it has enjoyed an obscurity to match its remote location, but that will change next month when the mine's operator, Terra Mining, comes to the Swedish stock market, with a range of international institutions among its new owners. The company says it will be Europe's only listed mining group concerned purely with gold.

Björkdal claims its status as *Europe's leading gold mine* with 1992 production of 2,310kg (74,250 troy ounces) and expected output of 2,475kg this year. Since it started production in 1988, total output has amounted to 9 tonnes.

On the scale of the world's biggest gold mines, such as those in South Africa, this is insignificant, representing a mere one tenth of one per cent of total annual gold output worldwide. But Terra Mining prides itself not on scale of production but on the efficiency and profitability of its operations.

Its production costs are lower than 90 per cent of its western world rivals, with mine site cash costs dropping to $145 an ounce in 1993 from $209 last year. The improvement will help the company to achieve a pre-tax profit of SKr71m (£5.75m), a 35 per cent margin on sales of SKr202.3m and a level of profitability that will match the very best in the Swedish corporate sector.

Part of the reason for the low cost base has been the dramatic strengthening of the US dollar against the Swedish krona from an average of SKr5.83 in 1992 to SKr7.75 this *year – a significant boost for a* company that has virtually all its expenses in krona and all its revenues in dollars. But it is also lean in terms of staff numbers – it employs just 45 people – and it has benefited from the efficiency of both its exploration and its mining techniques.

The company prides itself on the effectiveness of its exploration technique, which uses modern data-processing methods and an understanding of the movement of glaciers during the last ice age to find commercial ore deposits. Analysis of the glacial till, the layer of terrain that collected small fragments of minerals as they were scraped off the underlying bedrock by glaciers, is at the heart of the process. Modern data processing allows huge numbers of deposits from many different areas to be ana*lysed systematically. In this* way Terra Mining has tested 150,000 samples for 30 different elements (a total of 4.5m analyses) from a grid covering nearly all of Sweden and parts of Finland, Norway and Ireland.

The company has spent SKr100m on exploration since it was founded in 1980, and had spent only SKr30m by the time it had first identified the potential of Björkdal in 1983. It took just five years from the moment a claim was first lodged on the mine to the time production started – a short lead time by industry standards.

The fact that the mine is open cast, rather than underground, helps to keep operating costs down. It has also modified its mining methods, changing bench *height, blast size, and drilling* patterns to enhance metallurgical recovery. The result has been a steady improvement in the ore grade from 2.56 grams of gold a tonne in 1990 to 3.31 grams this year, although this is still lower than a typical South African mine.

Further efficiency has been achieved by tripling the amount of ore treated annually from 300,000 tonnes in 1988 to 900,000 tonnes today. The amount is not likely to rise any further, as the company is restricted under the terms of its concession to a maximum production of 1m tonnes of ore a year.

Even when the gold price plunged to the equivalent of just SKr56,000 a kilogram back in July 1992 Björkdal remained profitable, with a break-even level of SKr51,000. When the gold price soars to SKr107,000 a *kilogram – as it did this year,* with a built-in benefit from the krona's devaluation – it is highly profitable, and remains so at the SKr92,000 level which prevailed at the end of September.

Perhaps Terra Mining's biggest problem, from a potential investor's viewpoint, is that it has just one mine in operation at present, and one with only seven years of proven and probable reserves at that.

The mine's president, Mr Torsten Börjemalm, is sensitive to this, but he brushes the criticism aside. "How many other industries have an order stock of seven years? We know we have material to sell, its only a question of price," he states.

Not only is the company confident that Björkdal's "possible" reserves will extend its life further, it also has 60 other prospects on its books and expects to have at least one more mine, and possibly two, in operation by the year 2000.

The most important exploration project is at Pahtavaara in Finland, which has proven reserves of 695,000 tonnes at a grade of 3.33 grams a tonne. A final decision on whether to develop this mine will be taken next year. Another interesting deposit is at Barsele in Sweden.

It is partly because of the need to fund new mining developments that the company and its owners now want to broaden its ownership base at the time of its listing. They will sell up to 1.3m shares at SKr140 a share. Norsk Hydro, the majority shareholder with 61 per cent, *is to sell about 30* per cent of its stake as are the other two big shareholders, Euroventures Nordica and Mr Christer Löfgren, one of the company's founders. Presentations have been held in London, Paris, Stockholm and Edinburgh as part of the cam*paign to attract new owners* from the Swedish and international investment community.

Supply fears drive up jute prices

By Kunal Bose in Calcutta

THE PACE of advance in Indian raw jute prices in the current season, which began in July, has raised concern that there will be further erosion in the competitiveness of jute products against their substitutes, particularly synthetic products.

According to officials of the Indian Jute Mills Association, jute products will meet with consumer resistance both within and outside the country if inflation in prices of the raw fibre is not checked. Raw jute accounts for about 45 per cent of the cost of production of jute goods.

"If raw jute commands such high prices now when the new crop is arriving in the market in volumes, then the supply situation will become particularly critical from January onwards by which time the farmers will have largely disposed of their stocks," warn the IJMA officials. The benchmark W5 grade of fibre is being traded at about Rs570 (£12) a quintal (100lb), against Rs400 in the corresponding period of the previous season.

The IJMA has urged the federal government to allow "free import" of raw jute to keep the fibre prices in check. At present, *the jute mills are allowed* to import fibre provided it is all used for the production of jute goods for export. The IJMA has suggested the doing away with the "export linkage of raw jute import".

According to industry officials, at least 1.2m bales (180 kg each) will have to be imported this season (July-June) if India is to maintain jute goods production at the normal level of about 1.3m tonnes and leave a reasonable carry-over to 1994-95.

Unlike in the past, when only superior grades of jute were imported for the production of high value jute items for export, in the current season, the Indian industry will need to import the entire range of fibre. While Bangladesh, which, backed by a crop of a little over 5m bales, will have a comfortable export surplus, will be India's main source of import, the industry here thinks it can also import some fibre from Nepal and Thailand.

As jute prices in India are higher than in Bangladesh, there is no doubt that a good quantity of Bangladeshi fibre will be smuggled into India along the long unguarded border. According to the traders, smuggling of jute, a common occurence, could run at between 300,000 bales and 400,000 bales a year.

Meanwhile, the industry has described the initial official crop forecast of 7.2m bales as "totally unrealistic". Not only will this season's jute crop not be more than 6.5m bales, but the quality of a good portion of the jute grown in Assam and parts of north Bengal has suffered because of the floods.

The Indian crop being short and the prices high, it is unlikely that the Jute Commissioner's office will sanction exports in the current season even though the merchant shippers are insisting that some export should be allowed.

Even without any exports, it will not be easy to organise supplies of 8.5m bales for the jute mills and 400,000 bales for use at village level. Moreover, the next season needs to open with stocks equal to at least two and a *half months' fibre* requirement to ensure smooth running of the mills.

Meanwhile, in the first four months of the financial year to next July, India's exports of jute goods increased by 43 per cent to 73,000 tonnes over the corresponding period of the previous year.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,570-1,615 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.39-0.44.

COBALT: *MB free market,* 99.8 per cent, $ per lb, in warehouse, 11.80-12.20 (12.00-12.40); 99.3 per cent, $ per lb, in warehouse, 10.80-11.30 (11.00-11.45).

MERCURY: European free market, min. 99.99 per cent, $ *per 76 lb flask, in warehouse,* 95-110 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.52-2.62 (2.45-2.50).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.45-5.25 (4.55-5.30).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-37 (26-37).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.45 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+2,050	to 2,210,[illegible]
Copper	+1,350	to 602,0[illegible]
Lead	unchgd	at [illegible]
Nickel	-192	to 117,786
Zinc	+2,700	to 605,950
Tin	-130	to 20,805

WORLD COMMODITIES PRICES

MARKET REPORT

The **GOLD** *price consolidated* yesterday following Monday's move above $360 a troy ounce. At the London close it stood at $361.15 an ounce, up 90 cents on the day. But analysts warned that the market was nervous and lacked clear direction, making it just as likely to slip back as to continue its current rally. At the London Metal Exchange **COPPER** *prices* surrendered early gains and the three months delivery position closed at $1,703.25 a tonne, down $5.25 on the day. Copper looks to be finding a range of between $1,680 and $1,720, dealers said, but continued to encounter *profit-taking and hedge selling on* rises. **LEAD** prices extended early gains as a breach of resistance at $395 a tonne triggered stop-loss buying orders. The three months price closed $24.75 up at $413.50 a tonne. Dealers said consumer interest, trade buying and short-covering had aided a recovery from the recent seven-year low of $372. **COCOA** prices continued Monday's rally during the morning, but in the absence of fundamental justification the gains were erased in the afternoon.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$15.27-5.32z	+0.04
Brent Blend (dated)	$17.11-7.14	+0.035
Brent Blend (Nov)	$17.36-7.39	+0.035
W.T.I (1 pm est)	$18.76-8.78z	+0.065
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	+2
Gas Oil	$181-182	
Heavy Fuel Oil	$62-63	+1
Naphtha	$160-162	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.15	+0.90
Silver (per troy oz)♣	435.50c	+1.00
Platinum (per troy oz)	$363.00	-0.40
Palladium (per troy oz)	$130.75	+1.25
Copper (US Producer)	86.0c	+4.0
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	11.60m	
Tin (New York)	213.5c	-3.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	115.64p	-2.06*
Sheep (live weight)†♣	79.38p	-0.73*
Pigs (live weight)†	82.82p	-1.73*
London daily sugar (raw)	$265.4	-3.9
London daily sugar (white)	$269.5	-4.0
Tate and Lyle export price	£285.0	-1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120	
Wheat (US Dark Northern)	£166.5	
Rubber (Nov)♥	59.25p	+0.25
Rubber (Dec)♥	59.50p	+0.25
Rubber (KL RSS No 1 Jul)	202.5m	
Coconut oil (Philippines)§	$410.0v	
Palm Oil (Malaysian)§	$342.5u	+2.5
Copra (Philippines)§	$270.0	
Soyabeans (US)	£185.0	
Cotton "A" Index	55.20c	
Wooltops (64s Super)	[illegible]	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Nov/Dec u-Dec t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low
Nov	17.34	17.37	17.48 17.28
Dec	[illegible]	17.57	17.62 17.40
Jan	17.70	17.71	17.76 17.63
Feb	17.81	17.80	17.84 17.73
Mar	17.87	17.88	17.90 17.85
Apr	17.95	17.92	17.96 17.88
May	18.00	18.00	18.01 18.00
Jun	18.07	18.00	18.07 18.05
IPE Index	17.34	17.17	

Turnover 34053 (33535)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low
Oct	174.25	174.25	175.00 172.75
Nov	174.50	174.75	175.50 174.25
Dec	174.75	175.25	175.50 174.50
Jan	174.50	175.00	175.50 174.50
Feb	173.75	174.00	174.25 173.75
Mar	172.00	172.75	172.50 172.00
Apr	170.50		170.50
Jun	167.50	167.25	168.00 167.50

Turnover 17476 (23721) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low
Dec	280.70	279.80	280.70 278.00
Mar	283.30	281.30	283.30
May	285.30	283.00	285.30 284.70
Aug	289.00	287.00	289.00 286.00
Oct	[illegible]		[illegible]

Turnover 627 (334) Paris- White (FFr per tonne): Dec 1571.50 Mar 1602.91

JUTE

C and F Dundee: BTC $356, BWC $365, BTD $330, BWD $340. C and F Antwerp: BTC $330, BWC $330, BTD $300, BWD $300.

COTTON

Liverpool- spot and shipment sales amounted to 32 tonnes for the week ended 8 October, against 40 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in Turkish range.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low
Mar	10.95	10.75	10.95 10.68
May	11.13	10.94	11.13 10.90
Jul	11.41	11.25	11.41 11.21

Turnover 702 (300) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low
Dec	909	905	931 903
Mar	936	936	962 931
May	941	936	966 936
Jul	942	941	965 948
Sep	940	944	967 940
Dec	940	941	957 939
Mar	936	937	957 936
May	937	937	[illegible]
Jul	936		961 954
Sep	941		[illegible]

Turnover: 12681 (5994) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 11 903.29 (890.85) 10 day average for Oct 12 914.38 (914.33)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low
Nov	1162	1197	1192 1143
Jan	1171	1207	1207 1160
Mar	1162	1191	1192 1150
May	1162	1193	1188 1158

Turnover: 2573 (2634) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 11 Comp. daily 68.16 (67.05) 15 day average 68.83 (69.14)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low
Apr	91.3	90.2	92.2 91.0

Turnover 95 (114) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low
Oct	1404	1424	1420 1404
Nov	1425		1430 1425
Jan	[illegible]		[illegible]
Apr	1439		1439
BFI	[illegible]	1385	

Turnover 124 (29)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	98.00	98.90	98.50 97.85
Jan	99.65	100.50	100.10 [illegible]
Mar	101.50	102.45	[illegible] 101.35
May	103.50	[illegible]	104.00 103.50
Nov	92.00	93.00	94.00
Barley	**Close**	**Previous**	**High/Low**
Nov	101.45	101.25	101.50 101.20
Jan	103.45	103.30	103.45 103.20
Mar	105.40	105.25	105.40 105.25
May	106.75		[illegible]

Turnover: Wheat523 (294) Barley 53 (32)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,632 lots
Cash	1093.5-4.5	1095-5.5		1091-2		
3 months	1114-5	1116.5-6.0	1117.5/1111	1112.5-3.0	1115-6	238,520 lots
Copper, Grade A ($ per tonne)						Total daily turnover 28,936 lots
Cash	1679-80	1684-5	1677.5	1677.5-8.0		
3 months	1703-3.5	1708-9	1713/1700.5	1701-2	1703-4	176,288 lots
Lead ($ per tonne)						Total daily turnover 3,968 lots
Cash	399-400	374-5	380	385-6		
3 months	413-4	388.5-9.0	415/393	[illegible]	410-1	22,711 lots
Nickel ($ per tonne)						Total daily turnover 6,717 lots
Cash	4370-80	4420-30		4330-2		
3 months	4420-30	4475-80	4460/4350	4390-5	4400-10	47,012 lots
Tin ($ per tonne)						Total daily turnover 1,878 lots
Cash	4565-75	4550-60		4525-30		
3 months	4610-20	4600-10	4620/4575	4575-80	4630-40	11,268 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 99,327 lots
Cash	912-3	895.5-6.0	897.5	897.5-8.0		
3 months	928.5-9.0	912-3	932/911	914.5-5.0	931-2	82,029 lots

LME Closing £/$ rate: SPOT: 1.5320 3 months: 1.5225 6 months: 1.5159 9 months: 1.5093

LME AM Official £/$ spot rate 1.5295

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	361.00-361.30	
Opening	359.70-360.10	
Morning fix	359.60	235.233
Afternoon fix	360.60	235.302
Day's high	361.20-361.50	
Day's low	359.40-359.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.74	6 months	2.66
2 months	2.73	12 months	2.68
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	279.70	428.65
3 months	283.45	431.70
6 months	287.35	435.35
12 months	294.85	442.78

GOLD COINS

	$ price	£ equivalent
Krugerrand	359.00-362.00	234.00-237.00
Maple leaf	372.10-374.40	-
New Sovereign	83.00-86.00	53.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	30	59	[illegible]	12
1100	14	42	13	20
1125	5	28	29	32
Copper (Grade A)	**Calls**		**Puts**	
1650	55	96	10	29
1700	25	68	30	49
1750	9	43	64	75
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1100	72	106	10	37
1150	38	79	26	58
1200	15	57	53	86
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
825	92	133	8	22
850	72	115	13	29
875	54	98	20	37
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	-	69	3	19
1750	28	[illegible]	-	35
1800	3	21	64	82

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	367.8	360.2	361.5	361.8
Nov	[illegible]	360.8	0	0
Dec	369.2	361.7	370.0	360.6
Feb	370.9	363.4	371.9	362.3
Apr	372.7	365.1	372.5	364.0
Jun	[illegible]	366.8	374.6	[illegible]
Aug	376.1	368.5	370.0	370.0
Oct	377.9	370.3	376.0	376.0
Dec	379.7	372.1	379.0	371.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	369.9	362.9	370.0	366.0
Nov	363.0	363.0	0	0
Jan	371.9	364.5	373.0	363.0
Apr	373.7	366.4	374.5	366.5
Jul	374.7	367.4	371.0	369.5
Oct	376.2	368.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	442.1	431.0	0	0
Nov	443.8	432.8	0	0
Dec	[illegible]	433.0	449.0	427.0
Jan	445.2	434.2	0	0
Mar	448.3	437.2	453.0	431.0
May	451.3	440.1	455.0	434.5
Jul	454.2	442.9	463.5	446.0
Sep	457.0	445.6	458.5	454.0
Dec	461.5	450.0	465.0	453.0
Jan	462.7	451.2	463.0	463.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.45	76.05	75.50	74.40
Nov	74.90	76.45	75.35	74.80
Dec	75.20	76.75	76.70	75.05
Jan	75.45	77.00	0	0
Feb	75.70	77.25	76.40	76.40
Mar	76.00	77.50	77.30	76.00
Apr	76.25	77.70	0	0
May	76.55	77.95	77.70	76.90
Jun	76.80	78.20	0	0
Jul	77.10	78.45	78.25	77.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	18.61	18.77	18.82	18.67
Dec	19.00	18.95	19.00	18.85
Jan	19.08	19.05	19.08	18.97
Feb	19.14	19.14	19.14	19.07
Mar	19.22	19.22	19.22	19.16
Apr	[illegible]	19.29	19.26	19.22
May	19.36	19.36	19.34	19.34
Jun	[illegible]	19.42	19.40	19.32
Jul	19.48	19.47	0	0
Aug	19.52	19.52	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	56.35	56.42	56.50	56.00
Dec	57.25	57.31	57.35	56.90
Jan	57.70	57.71	57.75	57.35
Feb	57.50	57.56	57.60	57.30
Mar	56.40	56.51	56.45	56.30
Apr	55.15	55.26	55.15	55.15
May	54.05	54.21	54.20	54.10
Jun	53.80	53.86	53.80	53.60
Jul	53.90	53.76	53.90	53.90
Aug	54.20	[illegible]	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1134	1152	1178	1130
Mar	1174	1185	1212	1169
May	1186	1199	1223	1187
Jul	1204	1218	1227	1210
Sep	1222	1236	1257	1230
Dec	1234	1248	0	0
Mar	1247	1258	1278	1247
May	1256	1273	1266	1275
Jul	1270	1286	0	0
Sep	1289	1306	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.45	75.05	74.50	71.50
Mar	75.00	77.50	77.00	74.20
May	76.50	78.80	78.25	75.70
Jul	77.80	80.10	77.50	77.25
Sep	79.10	81.40	78.75	78.50
Dec	81.25	83.60	0	0
Mar	84.60	86.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.79	10.55	10.80	10.51
May	10.89	10.67	10.89	10.66
Jul	10.93	10.72	10.93	10.70
Oct	10.94	10.75	10.94	10.74

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	59.56	60.20	60.35	59.52
Mar	61.08	61.63	61.70	61.05
May	61.72	62.25	62.35	61.70
Jul	62.35	62.75	62.75	62.25
Oct	62.90	62.90	0	0
Dec	62.75	62.80	62.85	62.50
Mar	63.60	63.93	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	129.25	128.40	130.00	128.30
Jan	130.95	130.30	131.85	130.30
Mar	132.70	131.70	133.50	131.80
May	133.70	133.00	134.40	133.25
Jul	134.70	134.00	134.70	134.00
Sep	135.00	134.50	0	0
Nov	133.25	133.00	134.00	134.00
Jan	133.25	133.00	0	0
Mar	133.25	133.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 12	Oct 11	mnth ago	yr ago
1576.4	1577.8	1636.4	1592.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 11	Oct 8	mnth ago	yr ago
Spot	119.51	117.10	120.82	114.19
Futures	127.38	125.31	129.12	115.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	614/6	614/6	616/4	613/4
Jan	621/6	620/6	623/0	619/6
Mar	628/2	626/4	629/4	625/4
May	631/6	630/4	633/2	629/4
Jul	635/6	634/0	637/2	633/2
Aug	635/0	633/4	636/2	633/0
Sep	625/0	622/4	625/0	623/4
Nov	617/2	615/2	618/4	615/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.50	22.26	22.51	22.28
Dec	22.69	22.46	22.74	22.45
Jan	22.79	22.57	22.82	22.59
Mar	23.01	22.79	23.02	22.78
May	23.08	22.88	23.15	22.88
Jul	23.12	22.88	23.15	22.90
Aug	22.95	22.80	23.08	22.80
Sep	22.85	22.70	22.95	22.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	[illegible]	193.1	193.0	[illegible]
Dec	190.6	192.1	192.2	190.4
Jan	191.2	192.3	192.2	190.9
Mar	192.1	192.9	192.9	191.7
May	193.1	193.7	194.0	193.0
Jul	[illegible]	195.7	195.8	194.6
Aug	195.3	195.5	196.0	195.1
Sep	195.2	195.2	195.7	195.1

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	244/2	244/4	245/2	[illegible]
Mar	252/4	253/0	253/2	[illegible]
May	257/0	257/6	258/2	256/2
Jul	260/0	260/6	261/0	259/2
Sep	255/2	255/4	256/0	254/6
Dec	249/4	249/2	249/4	248/6
Mar	256/0	256/0	256/0	256/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	326/6	322/0	327/0	321/0
Mar	328/6	325/6	329/4	325/0
May	323/0	321/0	323/4	320/4
Jul	311/0	310/2	311/6	309/4
Sep	316/0	316/0	0	0
Dec	326/0	326/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	70.775	70.225	70.800	70.225
Dec	73.000	72.275	73.150	72.400
Feb	73.900	73.500	74.050	73.425
Apr	75.300	74.850	75.400	74.725
Jun	72.400	71.825	72.450	71.850
Aug	71.000	70.550	71.100	70.900
Oct	71.400	71.175	71.700	71.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	[illegible]	49.800	50.500	[illegible]
Dec	51.475	50.525	51.500	[illegible]
Feb	51.200	50.300	51.200	50.075
Apr	48.950	48.050	49.050	47.850
Jun	53.050	52.300	53.050	52.250
Jul	52.000	51.300	52.200	51.575
Aug	50.300	49.700	50.300	49.700
Oct	46.200	45.700	46.200	45.700

PORK BELLIES 40,000 lbs; cents/lb

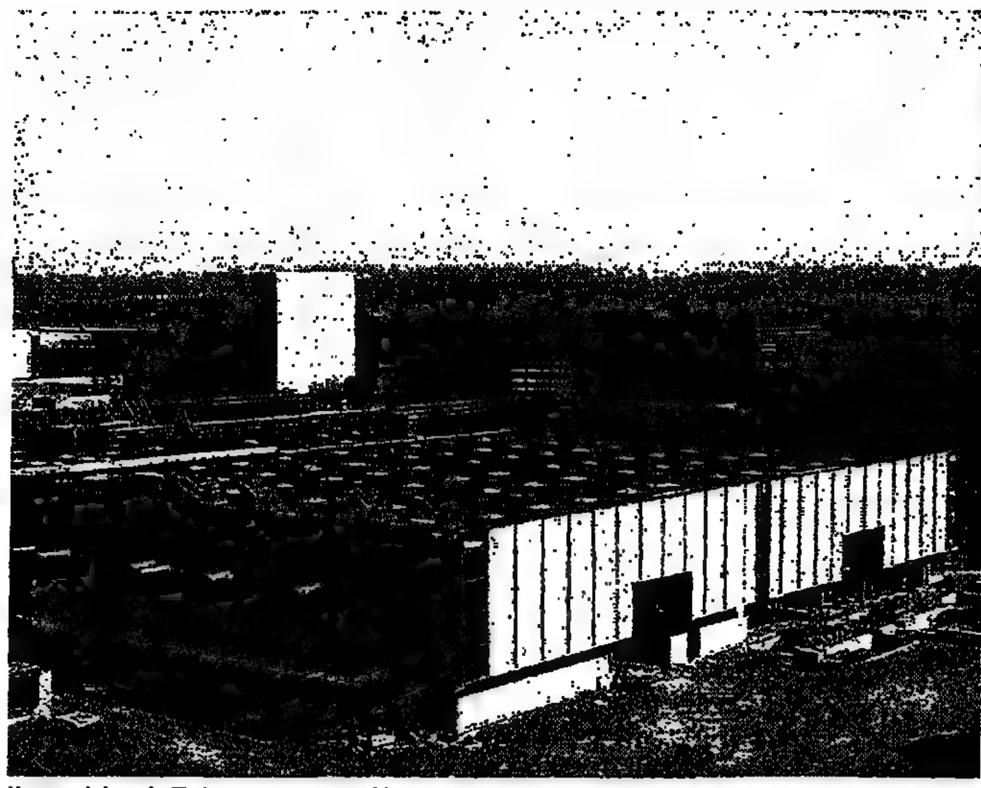
	Close	Previous	High/Low	
Feb	59.150	57.700	59.400	57.450
Mar	58.925	57.500	59.200	57.350
May	59.000	57.250	59.200	57.850
Jul	59.275	57.825	59.400	57.700
Aug	57.700	55.975	57.700	56.000

ITALIAN INDUSTRY AND TECHNOLOGY

Wednesday October 13 1993

The effects of recession are likely to be felt well into 1995 in Italy. There is, however, one exceptionally bright spot. Export orders for Italian goods have surged, riding on the back of a devalued lira and well-contained wage costs. **Robert Graham** reports

Exports are ray of hope in bleak year



Hope and despair: Fiat's new plant at Melfi is a symbol of optimism in the south of Italy (Report, Page II). But demonstrations such as this one in Rome last month are a symptom of unemployment and growing labour unrest

INDUSTRY has suffered most from the current recession in Italy and 1994 promises to be another bleak year.

The balance sheets of flagship private sector groups such as Fiat are heavily in the red and even the myriad small and medium-sized companies have been squeezed.

The Turin-based automotive group has been obliged to carry out a huge recapitalisation and form a core of friendly shareholders to remain a player in the cut-throat competition of the international car business.

Olivetti, the computers and office equipment group, is struggling to recoup its *élan* amid losses. And of the large companies, only Pirelli has begun to turn round after returning to its core business of tyres and cables.

Life has been even harder among the state industrial groups as major surgery gets under way to close uneconomic plant, offset heavy financial charges and prune excess labour against a background of ambitious, but as yet unfulfilled, privatisation plans.

Emblematic is the fate of Ilva, the state steel group. Itself the product of three changes of identity since the seventies, it is now due to be split into two and lose a quarter of its workforce to adapt to European overcapacity.

Everywhere the three-year-old decline in production and the formal onset of recession in mid-1992 has left a trail of jobless. The trades unions estimate that almost 250,000 jobs have been lost in industry this year. This rhythm of redundancies shows no sign of slowing. As a result, unemployment, and the destabilising effects of labour unrest, have moved to the top of the Ciampi government's agenda.

There is, however, one exceptionally bright spot. Export orders for Italian goods have surged, riding on the back of a devalued lira and well-contained wage costs. In the first half of 1993, exports were up 20 per cent in value. The increase was particularly impressive outside the EC, rising 30 per cent against the same period in 1992.

The export performance has provided a vital supply of oxygen to most industries this year when domestic demand has dropped more sharply than at any time since the first oil shock of the seventies. Overall demand could fall as much 3 per cent this year.

However, economists at Confindustria, the industrialists' confederation, are convinced the basis is being laid for an export-led recovery next year. They point out that inflation continues to come down – last month it was running at an annualised 4 per cent – and should be well below projections of 3.5 per cent for 1994.

In these circumstances, if the fall in domestic demand stabilises and the export trend continues, the economy will return to growth of around 1.5 per cent in 1994. This year, growth is expected to be negative: minus 0.3 per cent.

Nevertheless, the effects of recession are likely to be felt well into 1995 even if a recovery begins in the first half of 1994. The domestic climate remains one of relatively high interest rates and austerity as the government tackles public spending.

The 1994 budget, now before parliament, proposes to reduce the heavy fiscal pressure by 1 percentage point but offers few corporate tax concessions. If anything, loopholes are being closed on devices used as tax breaks.

Public spending cuts, to reduce the budget deficit to 8.7 per cent of gross domestic product (GDP), will be felt by those parts of industry that have traditionally fed off public works contracts. The corruption scandals have already led to temporary freezes on numerous contracts, notably for roads and municipal projects. However, the budget squeeze and the effect of the corruption scandals can be mitigated by better administration of the funds available.

Infrastructure contracts in particular have been hugely inflated to accommodate illicit pay-offs. As a result, Italy faces the challenges of closer European integration with roads, railways, ports and airports below the standards of its main partners. The government is anxious to make an early start on the L36,000bn (£14.9bn) plan to introduce a high-speed train network, beginning either with a Rome-Naples connection or the Turin-Milan-Venice link.

Industrialists are the first to recognise that public works projects are but a palliative. Their two main demands are an end to the rigidities in the labour market and a further fall in interest rates. In July, Confindustria, the unions and the government signed an historic tripartite agreement which abolished the long-standing principle of indexed wages and established that future pay increases be linked to productivity.

The union sacrificed wages to protect jobs on the understanding that their two partners would make a determined effort to boost spending on research and development (R&D), high technology sectors and job training. The industrialists for their part viewed the agreement as a first step towards a more flexible labour market. They want temporary job contracts, easier hire-and-fire regulations, special wages for trainees and an end to the national minimum wage.

Mr Antonio Maccanico, deputy prime minister and the Ciampi government's chief trouble shooter, believes common ground can be found. Temporary employment is likely to be introduced, disguised under the name of "solidarity contracts", and another cosmetic formula will probably be found to disguise the growing practical difference between wages in the north and south of the country.

The second leg to the industrialists' demand – lowering interest rates to the European norm – will not be easy because of the behaviour of the banks. Italian banks retain spreads of up to 5 per cent. These high margins are needed to offset heavy bad loan provisions that have accumulated in the past two years and worse could be in the pipeline. The collapse of the Ferruzzi-Montedison group, Italy's second-largest private concern, with outstanding debts of L31,000bn, has underlined the risks.

Meanwhile, bank operating costs are high due to inefficiencies and overstaffing. Thus at the very moment when Italian industry most needs interest rates to drop by at least another three percentage points, the banks cannot easily oblige. A proper alignment of interest rates is unlikely to occur until the financial system is modernised through much talked-of privatisation. The state still controls two thirds of the banking and financial system.

If the industrialists' complaints are justified, they too can be taken to task on a number of fronts. Investment remains too rooted in Italy; more investment should follow export success on the ground. Too little attention continues to be devoted to developing international alliances and too often attempts at such alliances have been mishandled. As a result, Italy possesses the smallest number of multinational companies among its main trading partners. Another aspect of this "provincialism" is the continued family control of so many businesses. Although such control provides the great advantage of flexibility, it also inhibits financial transparency and limits the introduction of modern management techniques.

The state-controlled industrial groups also suffer from lack of transparency, but in their case it is combined with overly rigid management structures. Happily, Prof Romano Prodi at IRI, the state holding company, and Mr Franco Bernabe, at ENI, the state oil concern, have begun to apply a fresh broom. The drying-up of state hand-outs and the need to privatise has left little alternative.

The Ciampi government has promised to speed up privatisation. But the complexities of large-scale sell-offs in industry and banking will inevitably spread the divestiture over at least the next three years.

A hint of the problems ahead has been provided by the saga of Efim, the state industrial holding placed in liquidation in July 1992 with debts of L18,000bn. Winding up Efim has been marked by changes of policy and a poor understanding of the sensitivities of the international financial community – while only one large company, SIV, the glassmaker, has been sold off.

ITALIAN INDUSTRY AND TECHNOLOGY II

■ THE SOUTH

Symbol of hope in a time of despair

MELFI this autumn has been become the symbol of hope for *the industrial resurgence of* southern Italy.

In record time, a greenfield site worked as agricultural land for centuries has been transformed into Italy's most modern industrial plant by Fiat. The Turin-based vehicle group started production in September of the Punto - the new model which Fiat hopes can claw back its declining share of the world car market.

Yet the evidence of neglect and despair is widespread. The other, bleaker, side to southern industry has been the wave of labour unrest protesting job losses and threats to employment. At Crotone last month, workers at Enichem, the chemicals arm of *ENI*, the state oil concern, burned chemical drums and blocked the road and railways for 10 days.

At Taranto, *further south, 170 desperate* workers employed by a sub-contractor, chained themselves to the installations of Ilva, the state steel producer. For five days, they nearly brought production at Europe's largest steel complex to a halt.

Elsewhere, at Goia Tauro, the railway line was blocked for fifth time this year by workers and their families protesting over the failure to find a future for an area earmarked in the seventies to host a giant steel plant. Today, Goia Tauro contains a port and four kilometres of quays all unused, and once fertile land has been covered by highways that lead nowhere but which awaited an industrial park.

The L4,600bn Fiat plant at Melfi is a bold attempt to prove that industrial investment can be made to work in the south, despite the poor communications, the distance from core European markets and the record of low productivity of southern labour.

Fiat's choice of a Melfi was in part the result of generous government grants and subsidies - all approved by the EC. This, combined with lower costs than the north, made Melfi an attractive, if not an inevitable choice compared to other greenfield sites elsewhere in Europe. *With automotive plants in southern locations that* include Avellino, Pomigliano near Naples and Cassino, Fiat next year will be producing more from its industries in the south than the north.

This is an historic change, but for the moment it is a one-off phenomenon in Italian manufacturing. Other big groups such as Olivetti have operations in the south but it is much less important in the overall scheme of production. It also has to be said that a leading player such as Fiat has infinitely more muscle in dealing both with the government, local administrations and the complex inter-play of political forces that are an essential component in managing investment in the south.

To these local phenomena should be added the existence of organised crime. Fiat is considered a big enough organisation to stand up to the creeping tentacles of the Naples Camora. However, it was significant that Melfi happens to have been regarded as a "clean" area. In areas of Calabria, the hold of the local mafia over contractors and labour is a big disincentive.

Overall, wage differentials with the north, except in construction, are only marginal. One recent academic study showed industrial wages in the south were 11 per cent lower. In contrast, productivity levels are on occasions 25 per cent lower. Small employers maintain that deals can be struck and the unions, where represented, are less rigid. *However*, for the labour element to be a factor in attracting investment, the unions will have to be more flexible on national minimums, as well as work practices and hiring and firing.

From *the fifties onwards*, the main investments have been state-directed and mostly by state-controlled companies. By law, state companies in the IRI group or companies such as ENI are obliged to direct 60 per cent of their investment in the Mezzogiorno - including Sardinia and Sicily. In practice the percentage peaked at about 50 per cent in the seventies and now it is down to about 30 per cent.

The enormous sums of public money pumped into the south, equivalent annually to 0.7 per cent of GDP, have not achieved the stated aim of providing a self-sustaining industrial and service base

The aim was laudable - to ensure that southern living standards were raised to the level of those in the north. And *through massive transfers* this has been largely achieved. However, the enormous sums of public money pumped into the south, equivalent annually to 0.7 per cent of GDP, have not achieved the stated aim of providing a self-sustaining industrial and service base. And the weight of manufacturing has not changed. Over the past 40 years it has remained below 15 per cent in the overall composition of output.

The main explanation for this is the way state industrial initiatives have been directed towards big capital-intense investments: the so-called "cathedrals in the desert." Thus the south has had more than its share of steel plants and petrochemical complexes. But these have been built without reference to the needs or potential of the local economy.

For example, the main industries relying on *the products produced by Sicilian* petrochemical complexes are in northern Italy.

Since the steel complex project was stalled at Goia Tauro in the late 1970s, successive governments have agonised as they were lobbied by local political potentates over what to do with the huge and idle infrastructure already built. Finally, last month, it was agreed to go ahead with a project to build a multi-fuel power station. But Goia Tauro power will be carried, at cost, to the north. There is no industry to benefit near the site.

Furthermore, with rare exceptions such as Fiat, a process of de-industrialisation is under way in the south. The steel industry, located at Naples and Taranto, is in the process of being rationalised and production cut because of over-capacity in the EC.

ENI, the owner of a series of large petrochemical complexes in the south, is having to restructure. Although decisions on closures, notably those plants producing fertilisers, have been postponed constantly, the day of reckoning is close.

Elsewhere the picture is of job losses and *threats to plants* - especially in the Naples area. Alenia, the state-controlled aerospace group, has cut back its operations at Naples.

The Ciampi government is still formulating its policies. They are likely to focus on efforts to "re-industrialise" those areas where mature industries are in decline; encourage more professional training; and persuade the unions to drop their rigid labour practices.

There is also likely to be greater emphasis on problem areas, instead of lumping the entire Mezzogiorno into one hopeless basket.

Only if these policies are pursued vigorously, and accompanied by increased police success against the local mafias, will fresh industrial investment take root.

Otherwise, Italy runs the serious risk of seeing the industrial divide grow, and the north distance itself from the south.

Robert Graham

■ INDUSTRY ROUND-UP

A sector-by-sector guide

Aerospace: The worldwide downturn in civil and military orders continues *to be felt on the main* group, state-controlled Alenia, which approved a restructuring plan earlier in the year after strong union resistance.

Alenia has warded off threats from McDonnell Douglas to end long-standing contracts, but orders for a French venture on regional turbo transport have been slower than expected.

On the military side, the cutbacks and reworking of the Eurofighter project are being felt. But the Italian Air Force may yet boost local industry through lease-purchase of a stop-gap, all-purpose fighter aircraft before the Eurofighter comes into service.

Automotive Industry: The sector remains depressed, operating at 75 per cent capacity as a result of the drop in international demand and recession at home.

Production and sales are expected to be down at least 20 per cent this year, forcing Fiat to raise L6,000bn in capital to offset present and future losses. If demand continues at present levels beyond the first quarter of 1994, plant closures could become a real issue.

Focus is on the success of Fiat's 10-year L40,000bn investment programme whose first fruit was the Punto launch in September from the new Melfi plant.

Chemicals and Fertilisers: The industry is awaiting plans for reorganisation of Enichem, chemicals arm of ENI, the state oil concern. With first-half losses of L1,000bn, major surgery is anticipated, especially where old plant is concerned and in uneconomic fertiliser production. ENI itself has forged ties with BP.

In the private sector, Montedison's reasonable performance in specialised sectors has been overshadowed by the *collapse of the controlling* Ferruzzi family group. The resolution of the Ferruzzi mess could lead to asset sales including the high-technology US arm, Himont, in which Shell has shown an interest.

Civil Engineering: Depressed domestic demand and cuts in government spending have forced companies to turn overseas for a higher proportion of work.

Lira devaluation has led to successful bids on a string of contracts, especially in the Middle East - the Ansaldo desalination projects, for example - and also in new markets such as China, as well in mature markets such as the UK.

Fiat is hinting at the sale of Cogefar-Impresit, its construction arm

Construction is among the worst-affected sectors, feeling the *triple blasts of domestic* recession, freezes on government spending and troubles produced by the corruption scandals that have halted as much as 25 per cent of all public works contracts for varying periods during the year.

Ownership structures could change with Fiat hinting at the sale of Cogefar-Impresit, its construction arm. State-run Iritecna's fate is also unclear.

Defence: There has been enforced reorganisation as a result of the liquidation of Efim, the state industrial holding, in August 1992.

Augusta (helicopters), and the armoured vehicles, ordinance and weapons producers Breda and Oto Melara are moving from Efim to *rationalise* state holdings under Finmeccanica. But Finmeccanica is reluctant to absorb their debt. The reorganisation must reflect a drop of almost one third in overall sales and Italy's declining ability to sustain substantial defence investments.

Informatics and office equipment: Olivetti raised L900bn in a rights issue early in the year to help offset losses and fight fierce international competition. Rumours of an impending Olivetti international alliance are constant but have yet to materialise.

In 1994, for the second year running, the information technology market in Italy is forecast to grow at only about *half* the rate of European growth: some 2.4 per cent.

Machine tools: This is a traditional area of strength, especially in establishing market *niches for specialised machine* tools.

Production fell 13 per cent in *the first half of 1993. But this* conceals the way in which a dramatic drop in domestic demand has been offset by an impressive switch to export orders. But the boost from the lira devaluation masks whether production costs have fallen sufficiently and innova*tion is being sustained.*

Shipbuilding: The sector is dominated by state-run Fincantieri which is in the process of rationalisation. The workforce is due to be reduced by almost a quarter to cut over-capacity on both the civil and military side, and gradual hiving off of the repairs division to the private sector. Good orders have been won in the promising cruise market.

Although the group's *finances* remain weak, a burden has been lifted by settlement of the long-standing issue of Iraqi naval vessels which were built but whose delivery was embargoed.

Steel: This is the industry which faces the biggest immediate shake-up as subsidies are cut and the EC obliges capacity reductions at state-run Ilva. This is to be achieved by breaking up Ilva and privatising, with the threat of 15,000 jobs lost between 1993 and 1995 in primary steel production.

Telecommunications: The government has approved a shake-up of the state-controlled sector moving towards a telecoms authority and separation of the manufacturing side (Italtel - equipment manufacture; Sirti - network engineering).

Despite the potential demand for new services, telephone investments by Sip, the main telephones company, have been lower than planned this year and could follow a similar pattern next year. The sector, heavily dependent on the Italian market, is unlikely to have a much-needed boost until privatisation plans are clarified.

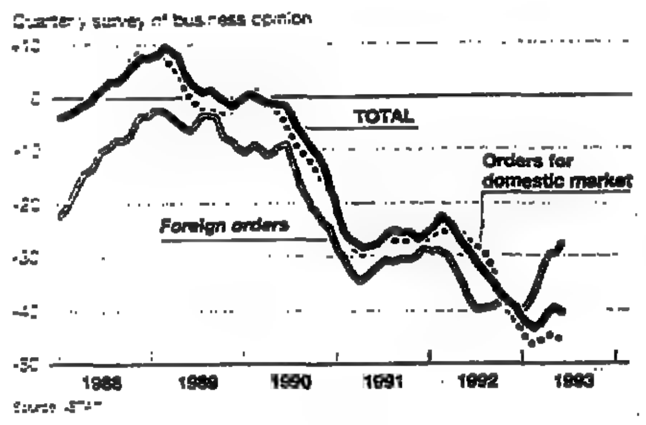
Textiles: Tough competition from low-cost producers in developing countries continue to impact negatively on the lower and middle end of the market. The top end has felt the squeeze from a drop in demand among rich consumers, *although where the lira* devaluation has given a competitive advantage, such as in Germany and France, market shares have been increased. The sector needs to see more mergers or co-operative ventures among the small- and medium-sized companies to *consolidate the future.*

White Goods: This has been one of the few sectors to buck the trend and, despite slack domestic demand, production increased 3 per cent in the first half. Zanussi and Merloni have both been pressing for more flexible working and production schedules. In this *context*, Merloni in July chalked up a landmark productivity-related union agreement. The company has also been aggressive in seeking production opportunities overseas, such as Turkey.

Robert Graham

Manufacturing orders

Quarterly survey of business opinion



■ DESIGN

The spotlight has shifted

ASK any German, French or British industrialist what are the most important characteristics of their Italian competitors, and the chances are that good design *will* feature as prominently as price and quality.

The post-war success of Italian industry, especially in exports, has been intimately linked to innovative design. Often, Italian manufacturers have shaped taste, steering consumers *towards* products which may have offered little advance on their rivals technologically but beat them hands down on design.

From furniture to freezers, cars to computers, Italian goods have gained a competitive edge against their foreign rivals through good design. While far-sighted company executives and a traditional stress on fine arts in education have been crucial influences, the existence of a cadre *of* gifted industrial designers in Italy has been essential to fulfil manufacturers' briefs.

In recent years, items such as Alessi's *shiny stainless* steel cookware or the slinky matt-black Tizio desk lamp made by Artemide have become international symbols of "design consciousness" among consumers.

But the ubiquity of Italian design is not limited to expensive yuppie products such as desk lamps. Back in the 1950s and 1960s, architects such as Ettore Sottsass, now best known for his Memphis design movement, turned their hands *to utilitarian* items such as filing cabinets or typewriters. Today, their output features as prominently in international design museums as the trendier outpourings of their successors.

However, many observers feel that Italian design has lost momentum and with it the international leadership it commanded as recently as the early 1980s. The message that design matters as much as keen pricing and quality manufacturing has caught on abroad. With many foreign companies now as design conscious as their Italian counter*parts, has Italian industry lost* one of its biggest competitive advantages?

Mr Mario Trimarchi, director of the Master in Industrial Design course at *Milan's* Domus Academy of design, prefers to avoid confrontational terms. "The design industry has internationalised immeasurably," he says, "and positions of national leadership are no longer so important".

He gives two reasons why *the spotlight has shifted* from Italy in the past decade. First, the study and teaching of design has developed at a number of international centres, apart from Milan, its traditional cradle.

Among schools now prominent alongside Domus are the Cranbrook Academy, the Pasadena Art Centre and the Illiois Institute of Technology in the US and a variety of company-based design centres in Japan. Pure industrial design remains the credo at a number of top German design schools, while the UK's Royal College of Art is a magnet for students want*ing a broader training* in design and the fine arts.

Secondly, issues in international design have moved on, says Mr Trimarchi. "Ten years *ago, Italy was at the forefront* of renewing the language of domestic design." Designers born or trained in Italy were spearheading a revolution in fashion, furniture and a stream of household products ranging from lavatory brushes to linoleum.

Their ideas had worldwide repercussions. But now, new concerns have taken over. Ecological awareness and the correct use of materials from an *environmental* point of view is foremost among them. In the 1990s, the nature of materials has become almost as important to designers as to craft them.

The new testing grounds for future design trends are also in industries where Italian companies are relatively weak. Rather than fashion or furniture, consumer electronics and computers are now the focal point for determining industrial design trends, Mr Trimarchi believes.

With consumer durables playing an increasingly important role in every household, *and technological innovations* coming thick and fast, designing the latest "black boxes" has moved into the forefront. So far, neither the US, Japan *nor Europe* has gained a clear lead, he says.

Design-conscious Italian companies are aware of the challenges. At Artemide, the Lombardy-based lighting group owned and run by Mr Ernesto Gismondi, a former professor of missile technology at the Milan Polytechnic, the stress is now on products which marry attractive design to energy efficiency.

"The emphasis has moved on", says Mr Gismondi, whose *company, established in 1960,* reached international fame after the Tizio lamp, designed by international design guru Richard Sapper in 1972, started *to catch on.*

Sales of the Tizio have started to fall off from their late 1980s peak, in a telling indication of the change in tastes and emphasis, notes Mr Gismondi.

Leading the visitor into his spartan office, he gives a glimpse of the future. Gone are the high-powered halogen lamps of the 1980s which, although easier on electricity than a traditional filament bulb, still consume prodigious *amounts of energy. Instead,* Artemide's latest product is a stylish uplighter which uses compact fluorescent bulbs to produce as much light as a halogen *lamp* at a fraction *of* the cost in terms of power consumption.

The new product has been designed by Mr Gismondi himself, rather than by one of the outside design studios which do most of the work for Artemide. But although the issues in international design may have moved on *since* Italy's heyday, Italian companies can still call on a huge pool of talent on their doorsteps.

Milan remains one of the *world's design Meccas thanks* to the concentration of leading designers who work there. Its role has been reinforced by the 10-year-old Domus Academy, which pulls in some of the best young students, many of whom then seek jobs at the Milan studios.

The school only takes about 30 postgraduates a year for its masters' degree in design and about 25 for a similar qualification in fashion – and therefore competition is fierce despite steep tuition fees of L21m excluding tax.

However, the range of *nationalities who apply* gives some comfort to those who fear Milan may be losing its place as a design centre. About 90 per cent of the students come from abroad, says Mr Emilio Genovesi, Domus's executive director. While many return home to set up their own studios or, in the *case* of the heavy Japanese contingent, rejoin their sponsor companies, some stay in Milan to gain experience with local studios.

"Milan remains one of the most fertile meeting places for international designers", says Mr Genovesi. "The fact that English is the common language reflects the mix of people who congregate here".

Other cities, such as Tokyo, Düsseldorf or Barcelona, may offer a concentration of manufacturing industry and designers working closely together. But none can match Milan for the breadth of backgrounds *and cultures among its* designers, he thinks.

For a company such as Artemide, typical of hundreds of small, highly design-con*scious Italian manufacturers,* that vitality is a positive sign. Whatever the improvements in design taking place among their foreign competitors, it suggests they will be able to keep up with the pack, if not remain ahead, in future.

Italian manufacturers have shaped taste: Benetton's knitwear design department at Ponzano *Picture: Trevor Humphries*

Haig Simonian

■ STEEL INDUSTRY

Job cuts could trigger social unrest

THE next three months could be decisive for Ilva, Italy's state-owned steel group, and for thousands of jobs in the south where most steel is made.

The prognosis is for a bleak Christmas at Taranto, the country's biggest integrated steelworks, and at most of the other *facilities where Ilva is based. With chronic* losses, over-capacity and a running row with the European Commission in Brussels, tough measures in the form of job cuts and plant closures looks inevitable.

That could trigger a new round of social unrest in an already volatile environment. Workers at Taranto blockaded crucial parts of the vast plant last month in a foretaste of what might take place if rationalisation has to be pushed through in earnest in an area of already very high unemployment.

Everything will hinge on the outcome of *talks between the Italians, represented by* Ilva, the IRI state holding company which owns it, and the Rome government, and the Commission. After several exchanges of fire earlier this year, the final reckoning looks set to be dramatic.

At stake is the credibility of the Commission's programme to reduce steelmaking in the Community on one hand and the risk of thousands of redundancies in southern Italy on the other. With the Italian economy in recession, the contents and presentation of the plan could also be the touch paper which could ignite a series of other, potentially explosive, labour disputes simmering at loss-making state enterprises.

The latest Ilva restructuring plan will be the third in 1993. Each has represented a significant watering down of its predecessor, although none have so far met with the Commission's approval.

The row began earlier this year when *Mr Hayao Nakamura, Ilva's managing* director, hired from Nippon Steel, proclaimed that the company set little store by the Commission's call for capacity cuts and an end to state subsidies. Insisting that Ilva was independent of the state – its parent, IRI, was turned into a joint stock company last year – Mr Nakamura argued that Europe's steel crisis would best be solved by a "gentleman's agreement" between leading producers. Events overtook him with the arrival of Mr Romano Prodi as IRI's new chairman. The earlier plan had to be rewritten and a new stress was placed on privatisation to reduce Ilva's burden on its parent company.

Subsequent amendments resulted in the most recent proposal. This involves splitting Ilva into two separate companies. One would specialise in flat laminates – based on the big Taranto and Novi Ligure works – while the second would concentrate on stainless steels, produced at the group's *plant at Terni in Umbia. IRI has even* given mandates to two merchant banks, Italy's IMI group and Barclays of the UK, to put forward privatisation plans for the two operations. Separately, Dalmine, the big seamless tubes group in which Ilva is the biggest shareholder, seems destined for privatisation via either a share flotation or the sale of Ilva's majority stake to a leading European steelmaker.

The new plan also backtracked notably on the issue of how to deal with Ilva's huge debts, which amounted to L7,583bn at the end of last year. While the original proposal implied the bulk of the debt would be assumed by IRI, along with any surplus plant that could not sold, the new proposal mollified Commission objections by including an appreciably lower debt transfer to the parent company. The revision was partly dictated by IRI's new management which, facing about L73,000bn in group debts, is determined to reduce bor*rowings.*

The dispute with the Commission has only exacerbated an already very difficult situation for the Rome government. Ilva's losses, which amounted to L2,309bn last year, will remain extremely high this year because of the recession and continuing weakness in the prices of many products.

Earlier this year, Mr Nakamura said he hoped the company would contain its 1993 loss to L1,500bn. In August, however, Mr Piero Barucci, the treasury minister, said losses would be about L2,000bn. He added that Ilva's consolidated debts had fallen only marginally in the first six months of this year, to stand at about L7,500bn by the end of June. Since then has come the protest at Taranto which, although resolved relatively quickly, cost the group billions of lire in lost production.

Negotiations are believed to be under way *for* the disposal of several Ilva assets. The two merchant banks given the privatisation mandates are studying a range of options. These include a full or partial sale to some leading private-sector Italian steelmakers who have at various times expressed an interest in taking a stake in specific plant. *Most recently,* attention *has* focused on selling Ilva's shipping operation.

Yet all the options face drawbacks. The problem is that even Italy's once ebullient private steel groups are facing hard times. Cremona-based Arvedi group is in negotiations with its bankers on restructuring its debts, believed to be well over L1,000bn. Falck, the Milan-based company, is in loss and recently faced the additional burden of seeing some of its management put under investigation over alleged political corruption. Meanwhile both Luigi Lucchini and Steno Marcegaglia, two of Italy's best known private steel producers, who have expressed interest in both the Taranto and Terni works, are proceeding with extreme caution given the economic climate.

The Commission is also under considerable pressure, notably from British Steel in the UK and the leading German steel groups, to be uncompromising with Ilva.

The issue of Italian state aid – not just to steel, but also to other IRI subsidiaries – is highly contentious. However, Commission officials may prefer to negotiate a workable compromise they believe will be observed and can stick, rather than hold out for a harsher agreement which might *either run the risk of not being respected* fully or provoke such civil strife in Italy as to become a political non-starter.

Haig Simonian

■ SMALL BUSINESSES

Shift towards bigger units

LOWER labour costs and a fall in interest rates are bringing some relief to the small and medium-sized companies which form the backbone of Italian industry. But recession is taxing their stamina, particularly if they depend largely on the domestic market, as in construction.

There are also signs of a long-term shift in the ownership pattern towards larger units. The grip of the traditional *padre-padrone*, the boss of the family firm, may be weakening.

Ninety per cent of member companies of Confindustria, the employers' association, have fewer than 100 workers and this patchwork of small enterprises is still acclaimed for its flexibility in adapting swiftly to market changes. However, Mr Alessandro Cassinis of Censis, the leading economic research and social institute, says that over the past five years the growth rate in the number of enterprises has slowed. In the north, the number itself has fallen over the past two years.

As an indication of a trend to larger companies, says Mr Cassinis, in the first half of this year in Italy there was a 2.3 per cent rise in a category of company likely to be medium-sized. In contrast there was a 3 per cent fall in a class of small businesses likely to have only 10 to 15 workers.

There are several reasons why entrepreneurs should think twice about setting up small enterprises. Cuts in state assistance, the complexity of European Community regulations and heavy business taxes are all factors. The efforts involved in marketing products abroad also weigh heavily on independent operators.

There has been uproar, too, over a minimum tax on income introduced in the 1993 budget to clamp down on tax evasion, for which the self-employed and small businesses are considered chiefly responsible. The government imposed an extremely unpopular formula whereby it evolved computer models for assessing minimum declared income in every category.

The system will almost certainly be modified but the government will not renounce its aim of bringing people within the tax net. Before the minimum tax was introduced a survey revealed that some small business employers were declaring income lower than that of their employees.

There are also pressures, however, favouring a status quo in industrial structure. The current tax regime, for example, is not merger friendly: entrepreneurs run the risk of high added-value tax if a company's value increases.

There is still a strong cultural preference for the family-owned business in many sectors

There is also a strong cultural preference still for the family-owned business in many sectors, notably textiles, machine tools, footwear and furniture. But Mr Cassinis believes that even in these areas commercial pressures and problems of succession, where a father has two or more sons, will erode the traditional set-up.

The present performance of small and medium-sized enterprises, as recession continues, is a story of those that have and of those that have not – the golden spoon in this case being exports.

Confindustria says that in the first half of this year, while there was a sharp contraction in the domestic market, exports grew 10 per cent on a weaker lira. "Unfortunately only a few small businessmen are exporters," says Mr Giorgio Fossa, the association's vice-chairman who superintends small and medium-sized companies. "So we find a small slice of business doing very well while the big majority is tied to the domestic market and suffering a lot."

He adds that small businesses, acting as sub-contractors, have paid a high price on account of the "Tangentopoli" bribes scandal which has brought public works projects practically to a standstill. The investigations have blocked orders and delayed payments. "The long delay in payments, which is chronic in our country, has been aggravated by 'Tangentopoli'," says Mr Fossa.

In the battle against unemployment, he calls for pay rises to be kept in line with the inflation rate, presently about 4 per cent. He says unemployment must be tackled in terms of new stimuli for industry and is looking for relief in the tax burden on business as the budget deficit is brought under control.

The government's fiscal policy with regard to small businesses is certainly going to be crucial in encouraging expansion. Confindustria calculates that the total weight of taxation on business is about 60 per cent. "Right now we definitely have the highest fiscal rate in Europe," says Mr Fossa, arguing that a lighter burden would not only encourage more investment but reduce tax evasion.

Another deep-seated weakness is that small enterprises have not been able to tap the stock market and other financial markets for financing. Much of the credit is short-term and Mr Fossa is severely critical of the high interest rates charged on bank loans.

Many banks maintain a gap of four to five points between the central bank's key lending rate and the rates charged for small businesses. This springs from the banks' inefficiency, he maintains. "Banks must reorganise themselves and reduce this gap."

An average interest rate for small businesses of about 13 per cent, when inflation is at 4 per cent, does little to improve the business community's generally poor opinion of banks – as articulated by a Milan builder, specialising in house renovation, who has a workforce of 18 and an annual turnover of L2bn. He says his bank only reluctantly raised his overdraft limit from L25m to L60m even though he had no debts and could prove client payments due to him of L700m. "How can I work with a bank like that?" he says.

Giorgio Fossa: 'Unfortunately only a few small businessmen are exporters'

Mr Roberto Brambilla, deputy general manager of Cariplo, Italy's third-largest bank, is well aware of public criticism but says that support for businesses is not just a question of handing out money: the lender must assess the business and give short-term and long-term assistance in accordance with cashflow and investment needs.

Eighty per cent of Cariplo's business loans are to small and medium-sized concerns and Mr Brambilla says the bank's interest rates are about a point below the average charged. He says there is an increase in potential bad debts from small businesses, making 1993 the worst year in a decade.

In 1992, Cariplo had debt provision representing 3.7 per cent of total loans, compared with an average of 5.7 per cent for the banking system. But Mr Brambilla adds that small businesses have shown great resilience.

"I don't think that you have to be big to be well placed in the market," he says.

Mr Fossa also sees advantages of flexibility in small companies. "But this gives us enormous problems from the point of view of capital," he says. He is looking for companies to increase technological and marketing collaboration with EC counterparts, so that Italian companies become not merely exporters but take on a deeper international presence.

He will also press the government for easier access to risk capital.

The Bank of Italy has recently ended its ban on banks taking stakes in companies and Cariplo, for one, intends through its merchant banking arm to investigate how to help small businesses approach the stock market.

This new freedom would be best used to encourage more venture capital among small companies but it is possible that the lion's share of bank stakes will be taken up in the cause of bigger companies, often using debt-swap deals.

The move offers at least a glimmer of hope that a more comprehensive system of credit will emerge, but it is early days.

In the meantime, small companies are left hoping that the promised upturn in 1994 will restore their own profitability.

John Simkins

■ FURNITURE INDUSTRY

Cash flow is the main problem

LOREDANA SARTI says she was convinced the Italian furniture industry could fail at any minute when she joined the Milan-based employers' organisation, Federlegno-Arredo, as an economist some 15 years ago.

"I kept trying to explain the miracle of its survival," she said. "It had no logic, as it is based on small, family-owned companies without access to capital. But the logic is that these continue to invest in bad times, renouncing profits."

That remains largely true of Italy's 35,000 furniture companies – only 4,500 of which have more than 15 employees – when the industry is suffering a 4.2 per cent fall in production, according to Federlegno figures for the first five months of 1993.

The independent CSIL institute in Milan, which monitors the furniture industry and whose forecasts are much respected, predicts a 5 per cent fall for the whole year because of the contraction of the domestic market.

"We have done everything we can to hang on, but it is undeniable it is not an easy time," says Ms Sarti, pointing out that new kitchens and three-piece suites slip lower down a family's shopping list during a recession. She estimates, however, that only one company in a thousand is going out of business and says that cash flow, rather than lower sales, is the biggest problem, with long delays in settling bills.

But relief is provided by exports for which all the familiar winning cards of Italian manufacturing have come into play. Design flair and an emphasis on high-quality, customised products have turned Italy into the world's leading furniture exporter, overtaking Germany five years ago. In fact 33 per cent of Italy's sales are to overseas customers, mostly within the EC.

The devaluation of the lira helps to explain the 16.3 per cent rise in first-quarter exports reported by Federlegno for this year but this will be countered by the higher cost of imported raw materials, 80 per cent of which come from abroad.

On a turnover of L24,000bn in 1992, exports of L8,300bn dwarfed imports of L790bn. Although Italian industry in general began to lose ground during the second half of 1990, the minimal impact of furniture imports on the domestic market meant that sales held up well until the latter half of last year. In fact, turnover increased slightly last year, from L21,000bn in 1991.

The sector hit hardest in the domestic market has been office furniture, which accounts for 10 per cent of production, partly because businesses are saving costs on fittings and also because the "Tangentopoli" bribes scandal has brought public sector projects largely to a standstill.

A total of 180,000 workers are employed in making household and office furniture. The industry, betraying its artisan roots, is grouped in four geographical areas and dominated by second or third generation, family-owned companies.

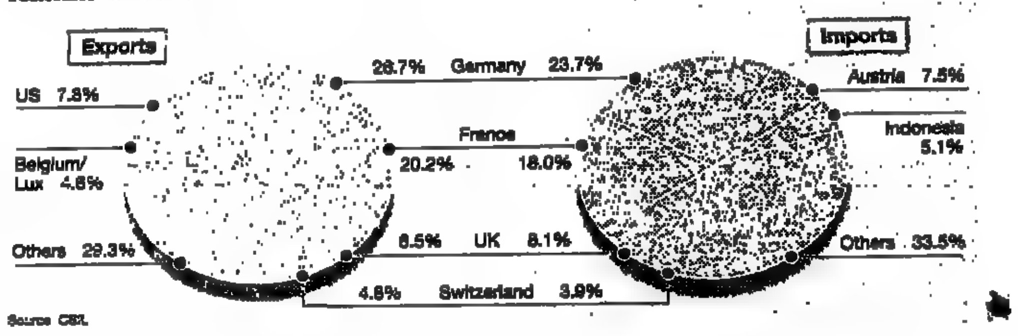
There is the Brianza district in Lombardy, stretching from north Milan to Lake Como. Another formidable cluster is in the Veneto, with chair production based on Udine, while kitchen furniture features prominently in the third area, Tuscany. Pesaro on the Adriatic provides the fourth group and exports heavily to the Middle East.

Family ownership still dominates even the big companies. But this year, Natuzzi, Italy's leading maker of leather furniture, surprised its rivals by floating part of its shares on the New York Stock Exchange. With a turnover of more than L300bn and 1,700 workers, it is unusual in that it is based in the south, at Bari in Puglia. Partly because of its isolation it has developed a vertically-integrated structure, allowing start-to-finish production of its upholstery.

Another rare case among the big companies is the Brianza upholsterer, Cassina, which has been taken over by a foreign concern – Strafor, the European arm of Steelcase of the US.

The fragmented nature of the industry does prompt concern. "I think the pace of concentration could and should be quicker," says Mr Mino Politi of CSIL. Federlegno is of the same view and believes the industry is moving in this direction: in the Veneto, for example, several companies have come under the umbrella of a holding company, Arc Linea Arredamenti.

Italian furniture trade 1992



Source CSIL

This fragmentation is reflected in a poor distribution network, which is perhaps the industry's main weakness. A multitude of dealers supply 25,000 retail outlets, but chains such as Ikea of Sweden are beginning to enter the market.

Innovative products have built up Alberti exports to 25 per cent of sales

Greater concentration of outlets with guarantees of high quality products and good after-sales service, as in the toys and electric goods markets, cannot come too quickly as far as Mr Aldo Alberti is concerned. His company, Alberti, manufactures kitchens at Bovisio Masciago, a village in the heart of the Brianza. "In Brianza we have paid too much attention to the product and not enough to the structure of the business," he says. "We need more than a good product; we need synergy."

Mr Alberti and his two brothers have developed the company started by their father into a high-quality kitchen manufacturer with 20 workers and a turnover of L4.5bn. Innovative products such as one-piece mini-kitchens have built up their exports since the late-1980s to 25 per cent of sales.

Devaluation has not aided them greatly, he says, because quality and design are more relevant to their output than price. But this year the company has still unveiled new products and is refurbishing the factory. "In moments of crisis I believe you have to support the business with extraordinary measures," he says. "Either you reduce investment or you put your hand in your pocket, taking savings and using profits."

The same philosophy guides one of the top players, B&B Italia, which is also in the Brianza and has 500 workers. Run by the Busnelli family, it expects to increase 1992 turnover of L155bn to L210bn this year.

"Thanks to the competitive lira we have managed to cover the fall in domestic demand with exports," says Mr Giorgio Busnelli, managing director. Besides office furniture and a wide range of household products, B&B Italia has a marine division, fitting out ships, which is performing strongly.

The previous high interest rates have forced the company to plough back profits, rather than borrow, when it comes to investment. But as a big group with fixed costs, including 14 managers and 25 research staff, "we can't follow a policy of staying at home, with no more investment or advertising," says Mr Busnelli. "The only way to survive is to invest."

Flexibility and family ownership, as demonstrated by Alberti and B&B Italia, will remain key characteristics of furniture-making for some time to come. But this is a relatively young industry and greater concentration is sure to follow.

John Simkins

■ THE FUTURE

Family firm or public company

"WHAT we are facing in Italy", a senior industrialist says, "is not just a political change, but a management change."

Scandals and corruption apart, Italian managers are wrestling with a nagging problem: how to modernise the structure of Italian capitalism.

The challenge for Italian industry is how to evolve from the family firm to the public company. Family control extends to some of the largest enterprises in the country.

As many Italian managers are coming to realise, this has at least three big drawbacks. It limits the supply of professional managerial talent from outside the family: it hampers the development of an international business culture: and it restricts the availability of finance for expansion.

In a few exceptional cases, these problems appear to be overcome.

Merloni Elettrodomestici, Europe's fourth-biggest maker of white goods such as washing machines and refrigerators, is a truly international company with factories in France, Portugal and Turkey and almost two thirds of its sales outside Italy.

But although the company is publicly quoted, it is 75 per cent controlled by the Merloni family.

Mr Vittorio Merloni, the chairman and founder, is reasonably sure he can finance his ambitious growth targets without relinquishing family control. But he concedes that he does not know what will happen beyond the end of the decade.

And although he is surrounded by professional non-family managers, he also concedes that attracting outside talent remains difficult.

Others put the point more bluntly. Dr Roberto Tronchetti Provera is *president of Camfin, an oil distribution and business services group which, like* Merloni, is publicly quoted but family controlled.

Speaking in his capacity as vice-chairman of Assolombarda, the powerful northern employers' federation based in Milan, he insists that the move away from family control is inevitable.

"If you want 51 per cent control of a company you will never grow", he says. "You have to make a choice."

Granted, he says, the old system served well enough in its day. "In the past, family ownership was a good thing. When you're building the industry of a country, you need family ownership.

"Historically, that has been true everywhere. And you must realise that we are a recent industrial country, certainly by comparison with Germany or the UK."

Now, however, industrialists such as Dr Tronchetti Provera are clearly irked by the size limitation imposed by the family structure.

"If you compare quoted companies in Italy to those in France, Germany and the UK", he says, "the only big company we have is Fiat. A company like Pirelli seems big to us, but it has only 10,000 employees."

Mention of Pirelli is not, perhaps, wholly accidental. Through his family company, Camfin, and in conjunction with his brother and fellow director, Marco, Dr Tronchetti Provera is a sizeable shareholder in Pirelli.

Marco is also Pirelli's managing director.

And, as Roberto points out, *as companies grow, so do families. "Bringing together 100 family members"*, he says, "can be as difficult as bringing together 10,000 shareholders."

This is a live topic among Italy's bosses. According to another industrialist – whose privately-owned metals company had a turnover last year of \$2bn – he and a number of like-minded patriarchs have regular meetings several times a year.

"We discuss all these things", he says. "How to keep control and expand; how to keep other family members happy; whether to bring the daughters into management".

Italy is following the French model whereby friendly groups of core shareholders are assembled for each company before it is privatised

Dr Tronchetti Provera says: "I don't think Italian families will continue to dominate in the long term. But whether a company is run by family or management doesn't matter to me as an investor.

"What matters is that the company is not run in the interests of a single group. In any case, you can have a family company which is run very well, like the Barilla group, or a non-family group which is run badly."

The answer, he claims, is evolutionary.

"We are going through a period where control of the company will still be very important, but not necessarily family control."

What he has in mind is the French principle of the *noyau dur* – the hard core of friendly and committed shareholders, controlling perhaps 15-30 per cent of the shares, who will guarantee the company's independence.

This was precisely the tactic adopted by Fiat in its giant \$3bn fund-raising at the end of *last month. As part of the exercise*, Fiat brought in as new core shareholders the French electronics giant Alcatel Alsthom and the Italian insurer Generali, to add to a group already including such European heavyweights as Deutsche Bank and the Italian merchant bank Mediobanca.

The same tactic is also to be pursued in Italy's forthcoming privatisation programme.

Here, too, Italy is following the French model whereby friendly groups of core shareholders are assembled for each company before it is privatised.

The relevance of all this to humbler Italian family firms is in one sense strictly limited. As recent stock market scandals have shown – in particular, that of Ferruzzi, which culminated in the suicide of the disgraced tycoon Raul Gardini – the Italian market is not for beginners.

Dr Tronchetti Provera says: "Families are sceptical of the market because it is not well organised and controlled. Solve that and the difficulty disappears. Today, the system isn't working properly. All the Ferruzzi problems happened without the control of the stock exchange authorities.

"Without an institution such as the Securities and Exchange Commission in the US, you will never have a market.

"But I think we will have a reasonable working stock market two or three years from now. As an association of industrialists, we very strongly request clear rules and efficiency in the market's controlling body. This is the only way to allow the development of Italian industry.

"You need clear rules so that new companies coming to the market know what to expect, and new shareholders as well."

Tony Jackson

■ COMPANY PROFILE: BARILLA

Fourth generation retains control

THE three sons of Pietro Barilla, Italy's pasta king who died last month, have acted swiftly in an attempt to dispel any doubts about the succession to control of the family-owned group.

The strategy remains the same, they pledge: to concentrate on two businesses – pasta and bakery products; remain the market leader within Italy in the face of stiff foreign competition; and attack aggressively to increase pasta sales in the rest of Europe. Barilla's pasta market share in the whole of Europe is 22 per cent.

But which son is the first among princes? They are all equal, they insist, and as token of their parity and solidarity they have decided to rotate the chairmanship.

First it is the turn of Guido Maria, the oldest at 35 and the only married son, who has worked in the business for 11 years. Then the baton will pass to Luca, at present deputy chairman, and in turn to Paolo, a former Formula One racing driver who has been made a director.

The term of each chairmanship has not been specified but will probably run for five years, in line with the company's five-year plan which gets renewed each year.

So in the medium term at any rate the Parma-based group remains in the hands of the family, now in its fourth generation as pasta makers. Pietro Barilla did sell the company in 1968 to W R Grace, the US multinational, but immediately regretted selling his birthright. After lengthy negotiations he bought the company back 11 years later.

"It is possible that in the long term other roads may have to be followed," says Mr Albino Ivardi Ganapini, who is assistant to the chairman. He dismisses suggestions that a triumvirate might be a source of weakness and says rotating the chairmanship is not an attempt to patch up difficulties. "The brothers get on well together," says Mr Ivardi Ganapini.

Pietro Barilla's strategy was first to take a strong hold on the domestic market

Visitors to the fortress-like Barilla headquarters at Pedrignano, on the edge of Parma, pass through two security gates before reaching reception where they key in personal details on a newly-installed electronic visitors' book. Somewhere on the site, the size of a small town and dominated by a 15-floor tower, are paintings by De Chirico and Picasso – the late Pietro Barilla was an art lover.

Despite the security, en route from town a taxi driver speaks warmly of Pietro, a noted philanthropist whose funeral brought out the entire town in mourning. "He was a capitalist like all the others but good to his workers," is the driver's verdict. An engineering faculty for the University of Parma was just one of his gifts.

Pietro's legacy was to build up Barilla into Italy's largest privately-owned foods group with more than 8,000 workers. Recession has had only a moderate effect on foodstuffs sales in the country and Barilla forecasts that the group's turnover this year will be L3,700bn, compared with L3,327bn for 1992. After-tax profits are expected to be at the same level as the L140bn last year.

Before turning his attention fully on expansion in Europe in 1990, Pietro Barilla's strategy was first to take a strong hold on the domestic market.

Barilla now has 35 per cent of the domestic pasta market; well above the 8 per cent cornered by BSN, the French foods group. BSN is also trailing in second place in bakery products, with 7 per cent of the Italian market compared with Barilla's 36 per cent share. Barilla made a big advance in this sector last year when it took majority control of Pavesi, the biscuit manufacturer, from SME, the state-owned foods group. In January, it acquired 100 per cent.

Mr Ivardi Ganapini does not rule out further acquisitions to consolidate the domestic presence but these would only be in bakery products or in pasta. The threat from multinationals, Barilla believes, is best kept at bay by concentrating narrowly on these products. After Pavesi, then, Barilla would appear to have no more interest in privatisations.

As Mr Ivardi Ganapini says, however, "resources are not infinite". Barilla's current focus is on increasing its presence in the rest of Europe in the growing market for pasta and ready-made sauces – but with a different strategy for northern Europe and the Mediterranean countries respectively.

In Greece and Spain, Barilla's approach has been to make acquisitions and produce pasta – selling it under Greek and Spanish brand names. Barilla now has 9 per cent of the Spanish pasta market and is the leader in Greece with 35 per cent.

In northern Europe, the strategy is to use the selling point of "made in Italy" and thus to sell Barilla brand names, exporting pasta from Parma. The main assault so far has been in Germany and France – Barilla hopes to have cornered 10 per cent of each country's pasta sales by 1997 – and in Sweden. Steffi Graf, Gerard Depardieu and Stefan Edberg have all been recruited to spearhead advertising in their respective countries.

Pasta dynasty: from left, Guido Maria Barilla and his brothers Paolo and Luca, pictured with their father Pietro. The chairmanship will rotate but the strategy of the group remains unchanged

Mr Ivardi Ganapini says Barilla is confident that the Parma plant, midway between Milan and Bologna and the largest pasta factory in the world, can keep its export markets supplied. Parma produces 45 per cent of the total output from Barilla's eight pasta plants in Italy but the company is investing in a new plant at Foggia, in the south, which will be used to supply central Italy. Foggia is also near the raw material supply of durum wheat in Puglia.

Mr Ivardi Ganapini concedes that a potential threat to Barilla's ambitions lies in financing investment because the family has always eschewed stock markets, preferring not to risk a clash with shareholders.

"But our strategy is in proportion to our resources," says Mr Ivardi Ganapini. "Pietro Barilla developed the company strongly with his own resources and we think we can do the same in the future."

John Simkins

■ MACHINE TOOLS INDUSTRY

Flexible and resilient

ITALY is the world's third-largest producer of machine tools, behind Japan and Germany, but significantly it has only four companies among the 40 leading European manufacturers.

The flexibility provided by the relatively small size of Italian producers has made them resilient, but by no means impervious, to the industry's downturn.

World consumption of machine tools and manufacturing systems fell 21.1 per cent to $31bn last year. Against that picture, Italian consumption dropped 14.1 per cent at current prices in 1992 to L3,161bn.

A further, although more moderate, decline is being repeated this year, says UCIMU, the association which represents 237 Italian machine tool makers accounting for 70 per cent of sales. Orders in the second quarter were 5.9 per cent down on the same period in 1992.

The problems afflicting this sector, which is the thermometer of industrial health, have been highlighted by a debt crisis at Mandelli, the Piacenza-based factory automation group which occupies seventeenth place among Europe's top 40, a list dominated by German manufacturers but led by Comau, the Fiat subsidiary.

The indebtedness of Mandelli – whose present aversion to publicity contrasts sharply with its attitude during the booming 1980s – springs from the acquisition by the publicly-quoted group of five companies which were quick to suffer from the downturn.

Now, Bankers Trust, heading 30 bank creditors, is considering a restructuring plan for debts of L537.6bn which are more than twice the group's turnover.

There would also be an injection of capital and the Mandelli family's majority share-stake would fall to 9 per cent.

The company believed it needed to reach a critical mass to compete on the international stage but observers are sceptical that synergy is necessarily achieved by Mandelli-style takeovers.

Italy has a very different ownership structure from that of Germany, its main European competitor. While German groups on average had 265 employees in 1991, Italian companies had 71.

The number of machine tool employees in Italy fell from 31,500 in 1991 to 29,230 last year (against Britain's 13,000). Nearly a third of Italian companies had recourse last year to the "cassa integrazione" system of state-assisted short-term lay-offs but UCIMU says that only a tiny proportion faces protection from creditors.

Mr Flavio Radice, UCIMU'S chairman, says: "It's true the small size of companies has helped them face the crisis. But we must be prepared for the recovery, and to be small is not so good then."

Italy was the world's third-largest machine tool exporter last year

UCIMU is therefore pressing companies to collaborate in exports and, where appropriate within Italy, to make a joint bid for a single order.

The organisation cites, as an example, a recent exhibition in Bologna where forming machines of 14 companies combined to make a single saucepan production line. This line was later sold.

The emphasis is on collaboration in Europe, too. This prompted UCIMU to host a European-wide convention of manufacturers and customers at Cernobbio earlier this month called "Preparing Recovery".

Italy maintained its place as the world's third-largest machine tool exporter last year despite a 5.4 per cent fall in foreign sales to L2,012bn, accounting for 48 per cent of production.

Two-thirds went to Europe but the star performance so far this year has undoubtedly been exports to China, following a 1992 exhibition by Italian companies in Beijing.

Sales to China in the first quarter were not far short of total sales there in the whole of 1992, a result which has pushed China up from eighth place as an overseas market to second, behind Germany.

The Italian export philosophy is to tailor high-quality products to a client's need. "We solve a client's problems, we don't sell a machine tool," says Mr Radice.

UCIMU is convinced that, bad as times are, manufacturers are continuing to innovate. The Italian presence at last month's EMO machine tool fair in Hanover was bigger than that of any other country, bearing witness to the sector's innovation and flair.

John Simkins

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■ COMPANY PROFILE: RAMBAUDI

Salvation through exports

THE managing director of Rambaudi sighs with relief when he recalls how the Turin-based machine tool builder changed its business strategy to face up to recession.

"With the domestic market as it is, you can imagine what our position would have been if we had not taken the steps that we did," says Mr Claudio Piasenza.

The medium-sized builder of milling and boring machines and machining centres is heavily dependent on mechanical industries at the forefront of recession. Set up to serve the Turin motor industry, it makes die and mould machines for the car market and also supplies the aircraft and energy industries.

The group, founded in 1945 by Antonio Rambaudi – whose marble bust greets the visitor in the foyer, along with an early milling machine – saw turnover slip from a peak of L70bn to L52bn in 1991.

Sales by the group's four companies improved to L60bn in 1992 and the company expects to break even this year, perhaps with a small profit in 1994.

The measures taken by Rambaudi were:

- To widen the product range, while selling to the same markets.
- To increase exports, which were already worldwide, in specific countries.
- To collaborate with other producers to integrate products.
- In the internal market, to cut jobs where products were of low added value and to subcontract some minor processes such as turning. The result is that the group's 500-strong workforce will have been cut by about 20 per cent by mid-1994.

One collaboration, agreed earlier this year, is with FMT of Brighton, in the UK, which is one of the few surviving British-owned machine tool builders competing technologically with the Japanese in flexible manufacturing systems. The companies will market each other's complementary products – Rambaudi's vertical spindle machines and FMT's horizontal spindle machines – and work together on turnkey projects.

The real salvation of Rambaudi has come through exports. Devaluation of the lira, says Mr Piasenza, has been a big bonus but the groundwork was laid during the shift in strategy. A most important commercial decision was to expand in China where Rambaudi, which has a representative office in Beijing, is co-operating with Chinese companies on two manufacturing projects.

When the recession lifts in machine tools Mr Piasenza expects exports to fall back to about 60 per cent of sales

Rambaudi also relaunched its activities in the US and Canada through an agency in Rockford, Illinois. "Results there were terrific in 1992," says Mr Piasenza.

The result of this push abroad has been that overseas sales have shot up from 45-55 per cent of turnover to 75-85 per cent. A walk round the group Ramco's subsidiary – which is being united with the main company to cut overheads – reveals that only a handful of its big-dimension milling machines are being made for the Italian market.

The group remains in the control of Bruno, Antonio's son, who is chairman, and Franco, a cousin. "We think a small and flexible structure is better," says Mr Piasenza. He acknowledges, however, that a small-scale operation can also be weak, which is why Rambaudi has a sister company to tackle turnkey projects.

When the recession lifts in machine tools Mr Piasenza expects exports to fall back to about 60 per cent of sales. But hard times called for drastic measures and he is convinced that it was Rambaudi's independence and relatively small scale which enabled it to react so rapidly to market changes.

John Simkins

LONDON STOCK EXCHANGE

Footsie Index drifts below 3,100 level

By Terry Byland, UK Stock Market Editor

A FAVOURABLE legal ruling in Germany on the Maastricht Treaty, together with renewed hints of a base cut in the UK, proved unable to stir much interest in the London stock market yesterday. Investors, already unsettled by the widening in the UK trade gap, backed away ahead of the UK Retail price index (RPI) for September, due this morning.

Belief that constitutional approval for Maastricht from the German High Court would hearten European bourses helped the FT-SE Index to 3,115.2 early in the session. But when the legal ruling came, London, together with the German stock, lost impetus and the Footsie 3,100 mark was lost in sluggish trading, for a day's low point of 3,093.

Trading volume in the blue chips picked up towards the close to show a final Seaq total of 536.8m shares. On Monday, when business was reduced by holiday closures in Tokyo and the US, Seaq volume of only 444.4m shares was worth a mere £936.1m at retail level, the first daily figure below £1bn for many months.

The final reading put the FT-SE Index at 3,094.7, down 7.5 on the day. Second line issues played little part in the initial rally in the market and closed without recovery. The FT-SE Mid 250 Index shed 7.3 to 3,474.9.

The stock market's nervousness reflected caution ahead of this week's heavy list of economic data. Much of the session passed without significant trends developing, as it became clear that the big institutions were keeping out of the way.

Activity in the short sterling contract lay behind the stock market's hopes for an early base rates cut. But equity strategists brushed such hopes aside for the time being, and focused on the prospects for today's inflation statistics.

The market's median forecast is for an annualised RPI number unchanged at 1.7 per cent in September. However, some market firms predict a higher figure and warn of the danger that inflationary pressure could be returning sooner than expected.

With Wall Street making a slow return to full trading power after the Columbus Day break, the Dow Industrial Average gave little lead, showing a minor gain as London closed for the day. Leading oil shares edged higher behind crude oil prices but the pharmaceuticals lacked direction.

The base rate hints were not strong enough to impress share prices in sectors likely to be affected by such a move. Bank stocks, which have this week been responsive to interest rate optimism, made little change, while in the store sector, shares were mostly easier in thin trade.

The most active features were among the hotel and brewing sectors, but investors were merely responding to the events of the day rather than initiating any fresh strategies. The leisure sector remained a prey to the rumours of adverse corporate developments which have been circulating over the past fortnight.

The big investment funds showed signs of having returned to a defensive posture until the November Budget is safely out of the way. Mr Craig Knox at Lazard Investors warns that "the good news" – base rate cuts, small tax rises – may already be in the market, while "potential bad news" – lower relief on Advance Corporation Tax or higher rates of corporation tax – is far from the market's current thoughts.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Oct 4	Oct 18	Nov 1
Option Declarations:		
Oct 14	Oct 28	Nov 11
Last Dealings:		
Oct 15	Oct 29	Nov 12
Account Day:		
Oct 25	Nov 8	Nov 22

*New time dealings may take place from two business days earlier.

Heavy fall in Grandmet

DRINKS group Grand Metropolitan (Grandmet) once again stole the stock market limelight yesterday announcing the loss of a major contract and seeing its shares drop 4 per cent, the steepest in the FT-SE 100.

The group is losing its distribution contract for Absolut Vodka in the US after 13 years. Drinks analysts said that the contract was worth between £30-£40m a year in profits, although the impact would not be felt until the company's 1995 results.

The revelation came as a shock to the London market, which has only just recovered from the flurry of news from Grandmet two weeks ago. This included boardroom changes and the sale of its Chef and Brewer chain for £730m to Scottish and Newcastle. Grandmet shares tumbled on yesterday's news, slipping below 400p at one stage, before recovering to close at 403p, a net fall of 15 on the day. Turnover was a chunky 13m.

One analyst said that the succession of announcements from the company was unsettling for sentiment and that the latest development had forced analysts to scale down their forecasts for earnings growth.

Guinness upset again

The resignation of the managing director of United Distillers left Guinness shares trailing as the rumours swirling round the stock over the past week appeared to reflect some element of truth. The shares retreated 15 initially but rallied to close 7 off at 396p, with a hefty 10m traded.

Yesterday's decline means the stock has now fallen 23 per cent in the past six weeks as poor results last month have been compounded by a succession of negative stories in the market. Most have concerned LVMH, the French luxury goods group which has a near-25 per cent cross holding in Guinness.

Talk in Paris last week that LVMH is looking to raise capital refuses to die away and in London has brought suggestions that it may sell Guinness its spirits business in return for the stake in LVMH. On Monday, Guinness shares were under pressure as a story of an imminent executive departure began to circulate.

P&O strong

Transport and property group P&O moved against the poor market trend after BZW recommended the stock. The securities house was said to have met with the company on Monday evening and yesterday issued the recommendation which saw the shares put on 6 to 594p, in trade of 1.8m.

The stock has been a poor performer since a slide in the shares in early September which followed the release of figures that disappointed the market. Analysts and brokers from other securities houses remain cautious about the stock, not least because of the competition P&O is likely to face with next year's planned opening of the Channel Tunnel. One analyst said: "It is a little too early to start being positive on P&O."

A broker's recommendation helped Glynwed International stand out in an otherwise dull day in the engineering sector. The shares advanced 9 to 330p, after Smith New Court upgraded profit estimates. Leaving its current year estimate at £43m, the broker lifted the following year's forecast by £4.5m to £61m, and pencilled in £86m as its forecast for 1995.

Mr Ian Lowe at Smith said the group has reported an improvement in a number of its business areas and "growth in group earnings will accelerate the rate shown by the market by perhaps another year."

Disappointing interim figures that were accompanied by a warning of lower than forecast full-year profits hit FR Group, sending the shares tumbling 18 to 232p.

British Aerospace moved 3½ forward to 407p after James Capel was reported to be favourable on the stock.

Strong two-way business following Monday's favourable figures, continued in automotive and aero-engine components group Lucas Industries. Turnover at the close stood at a hefty 7.6m, although the shares remained unchanged at 167p.

Optimism over Wellcome ahead of next week's conference in New Orleans continued to buoy the shares and the price rose 8 to 736p. Volume was above average at 3.9m and Mr Peter Laing at Salomon Bros said the shares had begun to look oversold and looked ready to catch up ground lost to Glaxo and Fisons.

The rest of the sector enjoyed similar investment interest with many of the stocks making steady progress. Glaxo added 3 to close at 668p with 5.6m shares traded; Fisons moved ahead a penny to 167p and Zeneca jumped 11 to 766p. Although some industry analysts are still cautious on drugs, one influential US brokerage, thought to be Wertheim Schroder, has just gone positive on the whole sector.

Profit-taking was the main element in the food manufacturing sector, which earlier in the week had seen one of its increasingly few bright days. Northern Foods shed 5 to 265p, Hillsdown 5 to 162p and United Biscuits 3 to 363p.

Food retailers also succumbed to profit-takers after their recent bounce. Argyll Group slipped 8 to 297p, J Sainsbury 10 to 427p and Tesco 4 to 209p.

Talk of one broker trying to place a large line of Storehouse, left the shares unruffled at 207p. Boots, subject of speculation in recent sessions over its home improvement and drugs divisions, continued to climb, the shares adding 8 to 502p.

The climb by United Newspapers of 15 to 538p was ascribed largely to a broker's upbeat presentation at a lunch for investors.

An upbeat profits forecast for BSkyB from Mr Rupert Murdoch's News Corp ricocheted through stocks with an interest in the satellite broadcaster. Pearson, publisher of the *Financial Times*, put on 14 to 542p, while Granada added 5 to 487p and News International gained 3 to 270p.

Although the predictions were in line with most analysts' expectations, the effect on newspaper-orientated stocks was attributed by one industry specialist to the fact that investors have been lacking good news in the sector and are fearful of the imposition of VAT on newspapers.

A steady climb was mustered by BOC which advanced 4 to 642p in moderate volume of 1.6m. The stock has been bolstered by a recent buy note from Hoare Govett which points to a healthy dividend.

ICI fared poorly, losing 9 to 723p, albeit in low volume and without obvious motivation.

The threat of an investigation into compact disc prices in the US undermined Thorn EMI, the shares retreating 19 to 933p. An investigation is already under way in the UK by the Monopolies and Mergers Commission. CDs account for around 40 per cent of the group's profits.

Selling just before the market close, said to be from the US, brought a sharp retreat in ADT and the shares closed 21 lower at 560p. Sentiment in the stock has been weak on fears that stake holder Laidlaw was about to dispose of its holding. Last week's profits warning from rival Automated Security has also dampened enthusiasm for the stock. Shares in Automated lost another 6 to 97p. McKechnie, which reports figures later this month, was in demand and the shares hardened 8 to 453p.

News group Reuters was in favour, the shares adding 13 to 1531p, after an announcement that it had signed an agreement to distribute several key information data bases of Standard & Poor's Equity services group in the US.

UK airports operator BAA put on 4 to 882p after it said September traffic through its airports rose by 6.4 per cent to 8.1m passengers, on a year ago.

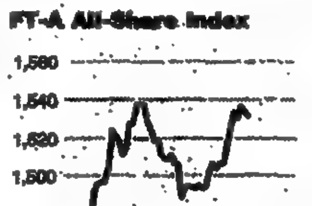
There was further selling of Channel Tunnel operator Eurotunnel, following Monday's interim statement at which the company said it needs to raise a further £1bn by mid-May 1994. The shares fell 29 to 459p, with most of the day's trading once again said to have been carried out in Paris where the shares are also listed.

The firm performance of the Hong Kong market helped Standard Chartered brush aside a reported profits downgrade from UBS. The shares finished 15 ahead at 1008p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

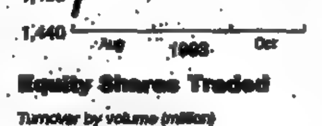
■ Other statistics, Page 25.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (164).
BRITISH FUNDS (5) AMERICANS (1) Lowe's, BANKS (4) ABN, Deutsche, NatWest, Standard Chrtd., BREWERS (2) Grosvenor, Matthew Clark, BLDG MATLS (3) Blue Circle, Do 7¾pc Pf., Brit. Dredging, BUSINESS SERVS (3) Johnson Cleaners, Serco, Time Prods., CHEMS (3) Akzo, Canning (W), Porvair, CONTG & CONSTRCN (6) Ashtead, Bellway, Campbell & Armstrong, Hewden-Stuart, Lon. & Clydeside, Sheriff, ELECTRICALS (2) ASEA B, Chloride, ELECTRICITY (9) Eastern, London, Manweb, Midlands, Norweb, Seeboard, South Western, Southern, ELECTRONICS (4) Kalamazoo, Phonelink, Polar, Siemens, ENG GEN (3) Fenner, Quadramatic, Renold, FOOD MANUF (1) Kerry, FOOD RETAILING (3) Farepak, M & W, PizzaExpress, HEALTH & HSEHOLD (2) Astra, IWP, HOTELS & LEIS (4) Airtours, Granada, Do 7½pc Pf., Quadrant, INSCE BROKERS (2) Archer (A.J), Orial, INSCE COMPOSITE (3) General Accident, Topdanmark, Trade Indemnity, INSCE LIFE (1) Legal & General, INV TRUSTS (27) MEDIA (4) Elsevier, Reed, Sleepy Kids, Wassmoughs, MERCHANT BANKS (3) Close Bros., Warburg (SG), Wintrust, MTL & MTL FORMING (4) Cook (Wm), Glynwed, Sinametal, Thyssen, MISC (3) Gt. Southern, Minmet, Portmeirion Potts., MOTORS (1) Evans Halshaw, OIL & GAS (1) Royal Dutch, OTHER FINCL (3) M & G, St James Pl., Swire Pacific, OTHER INDLS (2) Charter, Esco, PACKG, PAPER & PRNTG (5) Boxmore, Bunzl, Dalyn, Dolphin Pckg., Tinsley Robor, Waco, PROP (16) STORES (6) Courts, Marks & Spencer, Menzies (J), Moss Bros, Tie Rack, TELE NETWORKS (2) GN Gt. Nordic, Security, TEXTS (2) Shiloh, Worthington, TRANSPORT (4) BAA, Brit. Airways, Do 9¾pc Cv., P & O 5½pc Pf., WATER (4) North West, Northumbrian, Thames, Wessex, MINES (1) Amalgasata.
NEW LOWS (16).
[illegible]

EQUITY FUTURES AND OPTIONS TRADING

ACTIVE options trading was in sharp contrast to a dull session in FT-SE futures, writes Christine Buckley.

Muted speculation of a cut today in interest rates failed to excite Footsie futures. The rate cut rumour, which gripped short sterling trading especially, made no waves outside fixed income markets and futures seemed largely locked in a pre-Budget paralysis. Large investors were said to have kept their distance.

With no stimulus on offer from other European markets the December contract on the FT-SE 100 sailed listlessly downstream, mostly trading at fair value, which stands at 21 points.

Even a bouncy opening was not all it appeared and the contract's short climb in early trading was partly down to investors rectifying positions from the previous day when there had been a substantial amount of after-hours selling.

December's high point of the day – at 3,142 – was quickly lost and the pattern was downward for most of the session. A small rally was mustered after the post-lunchtime low of 3,112 and the contract was picked up to close at 3,120 – just over 3 points in front of its fair value premium to the cash market.

Index options showed life as sights are set on the year end and there is more hedging of positions. The option on the FT-SE 100 traded 26,874 lots while the Euro FT-SE saw business in 4,419 lots.

FINANCIAL TIMES EQUITY INDICES

	Oct 12	Oct 11	Oct 8	Oct 7	Oct 6	Year ago	*High	*Low
Ordinary share	2360.8	2358.7	2358.1	2360.4	2365.4	1891.0	2414.2	2124.7
Ord. div. yield	3.87	3.86	3.85	3.87	3.87	4.72	4.52	3.82
Earning yld % full	4.60	4.59	4.64	4.67	4.67	6.76	6.36	4.51
P/E ratio net	27.39	27.48	27.51	27.35	27.37	18.82	28.30	16.80
P/E ratio nil	25.26	25.32	25.36	25.21	25.25	17.50	26.14	18.14
Gold Mines	208.2	211.2	208.7	197.9	192.4	73.9	248.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2357.1	2361.2	2362.4	2362.1	2360.6	2351.9	2353.6	2356.3	2353.9	2366.5	2350.2

Volume	Oct 12	Oct 11	Oct 8	Oct 7	Oct 6	Year ago
SEAQ Bargains	29,977	31,544	28,311	38,211	32,315	21,289
Equity Turnover (£m)†	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity Bargains†	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shares traded (mil)†	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Excluding intra-market business and overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3094.7 -7.5	3474.9 -7.3	1531.85 -3.52

	Day's change %	Oct 11	Oct 8	Oct 7	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

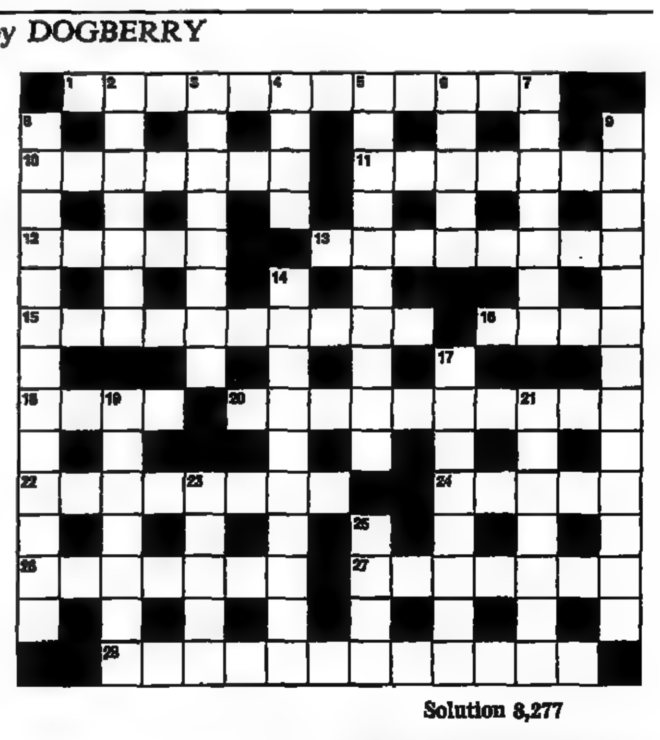
Continued on next page

CROSSWORD

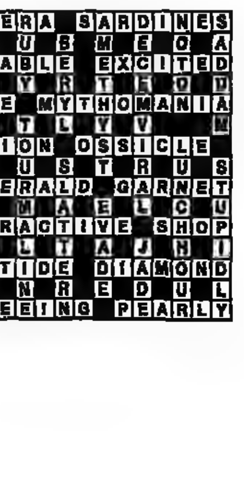
No.8,278 Set by DOGBERRY

ACROSS
1 Pure science to bungle about confection (12)
10 Antique could bring one into an insignificant sum of money (7)
11 Dance of the customs officer (7)
12 Spoken of island ways (5)
13 Insert variety into topless act (the compromising type) (8)
15 Part of growing up – mock Catholic in Hare and Hounds (5-5)
16 Stone animal guarding city.... (4)
18 ....from Dogberry's holy warriors (4)
20 Clue to menace wild Tiger (10)
22 Teachers' leader on slope about to absorb academic work (8)
24 Left behind Indian basket (5)
26 Boy returned illegally to take one to the city (7)
27 Creepers concealing gold keys (7)
28 Classical goal of prizewinning swindle (6,6)

DOWN
2 Let go of relative losing foot to snake (7)
3 Value volunteers keeping soldiers safe (8)
4 Ceremony in which some greet Irish uprising (4)
5 Brown's come round to being awkward (10)
6 Leftie impounding a diviner's equipment (5)
7 Man's wrong about a sacking.... (7)
8 ....for striking about broadcasts overturning record for pedantry (4-8)
9 Put in place of last execution (12)
14 Welcome inclination to enter wood with barbarian (10)
17 Tale of cracking code in the midst of mountain climbing (8)
19 Clip about rising river reacting to the sun (7)
21 Regretful reassessment of origin of last Ice Age (7)
23 Giant ring swamping resistance (5)
25 Ructions with headless corpse (4)



Solution 8,277



JOTTER PAD

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅜xd	+⅛	20⅞	15⅝	14,690	2.6
Allegheny & W	♥	538¼p	—	722p	399p	308.4	3.7
Amdahl		314p	−12	691p	294p	352.6	1.1
Amer Cyanamid		36⅛	+¼	38⅝	31¼	3,245	3.2
Amer Express		23⅞xd	+⅛	25⅞	14⅞	11,128	2.9
Amer T & T		37⅜xd	+⅛	43¼	33⅛	50,786	2.3
Ameritech		55	−⅛	58¼	46	24,081	4.5
Anheuser-Busch		30½	+⅛	41¼	29⅛	8,440	3.1
BankAmerica		29⅞xd	+⅛	33⅛	27⅛	10,465	3.2
Bankers NY		52⅝xd	−⅛	54⅝	42⅝	4,339	4.0
Bell Atlantic		35⅝	−1¼	42⅜	32¼	16,791	4.6
BellSouth		37¼	−1¼	41	32⅞	18,648	4.9
Bethlehem Steel	♥	9¼xd	−¼	13¼	8½	837.2	–
Bowater		1197pxd	—	1682p	1189p	433.7	3.3
CPC		29⅝xd	+⅛	34⅝	26	4,530	2.9
California Engy		1148p	—	1479p	1066p	209.0	–
Chase Manhattan		24⅛xd	−⅛	24⅝	17⅞	3,775	3.3
Chrysler		31½xd	+⅛	32⅝	21¼	9,224	1.3
Citicorp		24⅜xd	+⅛	25⅞	13⅛	9,116	–
Colgate-Palm		36¼xd	+⅝	45⅝	32	5,787	2.6
Cont'l Bank		1721p	−6	1877p	1278p	1,739	2.3
Dana		38¼xd	+⅛	39⅝	29⅜	1,758	2.8
Data General		652p	—	951p	527p	179.9	–
Decora Inds	♥	101½p	—	146p	101½p	–	–
Dun & Brad		39⅝	−⅞	42¼	37⅛	7,085	4.1
Eaton		32¼	−⅛	34	25⅜	2,235	2.5
Echlin		19¼xd	+⅛	21⅜	15⅛	1,151	2.4
FPL		25¼xd	+⅛	27⅝	23¼	4,678	6.4
Ford Motor		35⅜xd	−⅛	37⅜	28⅛	17,890	3.0
Gen Elect		63⅛xd	+⅛	67⅛	53⅞	53,911	2.7
General Host	♥	489¼p	+8	723p	456p	–	4.6
Gillette		39xd	+⅛	42⅝	31⅛	8,375	1.5
Hasbro		29⅞	—	29⅝	20⅞	1,619	0.8
Honeywell		23¼xd	−⅛	26½	20⅜	4,320	2.6
Houston Inds		29¼	−⅛	33¼	28¼	3,853	6.7
Ingersoll-Rand		23⅛xd	−⅛	25⅜	19⅛	2,454	2.0
Lockheed		41⅞	—	45⅝	35⅛	2,581	3.4
Lowe's		3124p	+29	3124p	1573p	2,279	0.7
Malvy Technology		259p	—	330p	127p	–	–
Merrill Lynch		64⅝xd	+⅛	66⅞	37	6,852	1.4
Morgan (JP)		51xd	+⅛	52⅛	38¼	9,772	3.1
Morris (Philip)	‡	32⅛xd	+⅛	52⅝	30	28,152	5.5
NYNEX	h	28⅛xd	−⅛	32⅛	28⅛	5,850	5.5
Pall		12¼	—	15	10⅞	1,479	1.7
Pennzoil		41½xd	+⅛	47⅛	31⅜	1,884	4.9
Quaker Oats		43⅛xd	+⅛	50⅜	39⅛	3,132	3.3
Questar		276p	+20	687p	49½p	28.4	–
Rockwell		23⅞xd	+⅛	24⅛	18⅛	6,113	2.9
Rep NY		34⅛xd	+⅛	37⅛	29¼	1,786	2.1
Sears, Roebuck		37⅛xd	+½	38⅝	18⅞	9,678	2.9
Sthwestern Bell	h	28¼	−⅛	30½	23⅛	15,707	3.8
Sun Co		19⅝xd	+¼	21½	14¼	2,085	6.1
Tenneco		34¼xd	+¼	38¼	25½	5,865	3.1
Texaco		44⅜xd	+⅛	45¼	37⅛	11,627	4.7
Time Warner		27¼xd	+⅛	28¼	18⅝	10,829	0.8
Uollab	♥	388½p	—	509p	358p	166.9	–
US West		31½	−⅛	33	24¼	13,055	4.5
Varity		2281p	—	2579p	1686p	688.8	–
WMX Technologies		19¼xd	+⅛	27⅛	19⅛	8,657	3.0
Whirlpool		3858pxd	+21	4577p	2824p	2,898	2.1
Woolworth	♥	16⅞	+⅛	21½	16⅛	2,216	4.8

CANADIANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	—	2p	2p	–	–
Amer Barrick		1673p	+1	1868p	890½p	4,484	0.3
Bk Montreal	h	12¼	—	14¼	11⅛	3,170	4.4
Bk Nova Scot		1282p	—	1435p	1111p	2,893	4.4
BC Gas	♥	783¼p	−2½	857p	723p	–	3.9
BCE		21¼	—	28⅛	20⅛	6,647	6.2
Brascan	♥	626p	—	721p	454p	518.3	[illegible]
Breakwater	♥	5¼p	−⅛	16½p	5¼p	3.28	–
Can Imp Bk		1575p	—	1749p	1226p	3,149	4.4
Can Pacific		1030p	—	1136p	810p	3,285	1.6
4pc Deb		48½	—	48½	38	22.7	[illegible]

BUSINESS SERVICES

CHEMICALS

BANKS

CONGLOMERATES

BREWERS & DISTILLERS

CONTRACTING & CONSTRUCTION

BUILDING MATERIALS

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other

T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xa ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✓) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

حكمة أحمد الأصفر

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)F						
45 Charlotte Sq, Edinburgh						
American	5	353.5	353.5	378.7	+2.2	0.33
(Accum Units)	5	416.8	416.8	444.1	+2.6	0.33
British	5	1001.5	1003.5	1068.1	-0.5	3.30
(Accum Units)	5	1803.0	1803.0	1907.6	-0.9	3.30
Emerging Markets	5	121.3	122.0	129.9	+1.7	0.20
(Accum Units)	5	121.6	122.2	130.2	+1.7	0.20
European	5	433.9	433.9	460.7	+1.1	1.23
(Accum Units)	5	481.2	481.2	510.9	+1.2	1.23

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Brothers & Co. Ltd				
Property Oct 7	£2125	2275	—	7.00
Inc Gilt Prp Jul 12	£1440.0	1000.0	—	3.90
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Oct 6	£5561.1	5773.6	—	2.29
European Oct 6	£761.0	788.8	—	1.40
American Oct 6	£441.1	445.7	—	1.38
Japan Oct 6	£813.1	820.9	—	0.48
Pacific Oct 6	£2219.3	223.6	—	0.78
Midland Gth Aug 31	£131.99	143.80	—	3.7
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Sep 30	180.30	190.55	—	8.31
Equity Sep 30	1075.50	1109.0	—	2.79
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond (z)		119.26	+0.1	9.04
(Accum Units)		637.75	+0.2	9.04
NAACIF (F)		49.07	—	6.77
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Oct 12	182.5	187.6	+2.40	2.33
UK Small Co † Oct 12	646.5	674.2	+6.90	2.81
Fixed Interest † Oct 12	131.1	131.9	+0.40	8.66
Intl Bond Oct 12	147.7	150.0	+1.30	7.62

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc - Contd.				
Pension Funds				
F.I.Dep.Acc.	776.4	817.3	+0.1	-
Prop. Acc.	1123.8	1182.6	+0.4	-
Man. Acc.	2483.3	2614.1	-1.1	-
Gilt Edg. Acc.	829.8	873.5	+0.7	-
Eq. Acc.	3087.6	3250.7	-1.2	-
Am. Eq Acc	327.9	345.2	+0.4	-
Far East Acc.	438.1	461.2	+1.6	-
Euro. Acc.	52.3	55.1	+0.1	-
American Life Insurance Co UK				
2-8 Altyre Road, Croydon CR9 2LA 081-680 6000				
Premier Managed	199.7	210.3	+0.4	-
Alpha Managed	132.6	139.6	+0.2	-
HICA Managed	132.6	139.4	+1.0	-
Premier Managed	255.2	268.7	+0.3	-
Alpha Managed	149.3	157.2	+0.2	-
Barclays Life Assur. Co Ltd				
252 Romford Road, London E7 081-534 5544				
Barclaybond	800.3	831.9	+0.8	-
Equity Accum	799.6	841.6	-0.4	-
Enterprise Accum	124.6	131.1	-0.1	-
Gilt-edged Accum	388.4	408.9	+0.2	-
International Accum	381.9	402.0	+2.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
City of Westminster Assurance (z)				
PO Box 469, 500 Avebury Blvd, Milton Keynes				
Current Series				
Property Fund	177.2	186.6	—	-
Income Growth Fund	383.2	382.4	+0.1	-
Managed Fund	587.4	618.4	-0.8	-
Equity Fund	333.4	351.0	-0.8	-
Pension Managed Fund	681.2	717.1	-0.7	-
Pension Equity Fund	342.6	360.7	-0.7	-
Pens Adventurous Mgd	283.9	298.9	+0.3	-
Pensions Balanced Mgd	291.3	306.7	—	-
Pens Conservative Mgd	250.8	264.0	-0.2	-
Adventurous Mngd Fd	193.2	203.4	+0.2	-
Balanced Mngd Fd	231.2	243.4	-0.1	-
Conservative Mngd Fd	238.9	251.5	-0.2	-
Clerical Medical/Fidelity Investments				
Narrow Plain, Bristol BS2 0JH 0272 290566				
Investment Funds				
Ruby	158.2	166.6	—	-
Sapphire/Mixed	274.7	289.2	+0.5	-
Emerald	144.0	151.6	—	-
Equity	312.3	328.8	—	-
Property	195.3	205.6	+0.6	-
Gilt & Fixed Interest	210.0	221.1	+0.3	-
Indexed Securities	169.5	178.5	-0.1	-
Cash	180.4	190.0	—	-
North American	209.6	220.7	+0.6	-
Far East	288.8	304.0	+3.7	-

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Profund				
Managed Oct 6	320.4	333.6	—	–
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Oct 6	£250.42	258.32	+2.26	–
Equity Oct 6	£282.36	292.21	+3.82	–
International Oct 6	£42.04	43.13	+0.09	–
Intl Bond Oct 6	£21.61	21.88	-0.14	–
Fixed Int Oct 6	£133.28	134.80	+0.49	–
Index Linked Oct 6	£97.41	98.62	+0.65	–
Property Oct 6	£115.45	122.22	+0.41	–
Cash Oct 6	£34.06	34.06	+0.03	–
Pre-Linked Retirement Plan				
Managed Oct 6	587.70	612.20	+4.10	–
Cash Oct 6	308.10	321.00	+0.50	–
Prudential Pensions Investment Account				
Pens Mngd	238.40	254.30	+0.40	–
Pens Mngd A	105.90	111.50	+0.20	–
Pens UK Eq	401.20	432.40	+0.45	–
Pens Intl	300.60	322.30	+1.20	–
Pens Global Eqty	134.50	141.60	+0.20	–
Pens Fixed	299.70	316.40	+0.80	–
Pens Index Lk	245.50	258.10	+0.20	–
Pens Property	82.80	87.70	—	–
Pens Cash	201.20	211.90	+0.12	–
Money Purchase Plan				
Discretionary (z)	137.80	145.70	+0.10	–
Equity (z)	140.50	151.20	-0.10	–
International (z)	138.30	145.40	+0.80	–
Global Equity (z)	138.60	149.80	+0.10	–
Intl Bond (z)	150.70	158.60	+0.20	–
Fixed Interest (z)	150.10	158.80	+0.20	–
Index Linked (z)	135.10	142.20	+0.28	–
Property (z)	104.70	115.20	—	–
Cash (z)	118.40	122.20	+0.10	–
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	754.7	794.5	+2.5	–
Equity	1468.8	1543.8	+2.7	–
Fixed Interest	606.1	638.0	+0.5	–
Property	396.1	417.0	+0.1	–
Cash	358.6	388.0	+0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	106.4	112.1	—	–
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	242.2	255.0	-0.1	–
UK Equity	231.4	243.6	-0.8	–
International	244.1	257.0	+0.4	–
American	241.9	254.6	-0.1	–
European	231.0	243.1	+1.4	–
Japan	245.6	258.6	-2.0	–
Pacific	344.3	362.4	-0.5	–
Technology	316.4	333.1	+1.3	–
Fixed Interest	181.6	191.2	-0.1	–
Indexed Linked	164.6	173.2	—	–
Foreign Bond/Currency	229.3	241.4	+1.7	–
Cash	174.839	184.021	+0.021	–
Ethical	125.3	131.8	—	–
Pens Mixed	702.7	739.7	-0.1	–
Pens UK Equity	791.5	833.2	+3.3	–
Pens International	753.1	792.7	-0.9	–
Pens Nth American	241.2	253.9	-1.9	–
Pens European	273.6	287.9	+2.1	–
Pens Japan	296.8	312.4	-1.4	–
Pens Pacific	417.5	439.5	+2.1	–
Pens UK Fixed Interest	375.4	395.2	-1.1	–
Pens Index Linked	204.3	215.1	—	–
Pens Cash	278.030	292.716	+0.036	–
Pens Property	216.51	228.85	—	–
Pens Ethical	162.4	171.0	—	–
Edinburgh Inv	369.8	389.3	—	0
Baillie Gifford Japan	261.0	274.7	-1.4	–
Pens Global	95.0	100.1	+0.5	–
Pens Emerg Mkts	101.2	106.6	+1.3	–
Pens Overseas Bond	94.6	99.6	+0.6	–
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	183.3	193.0	—	–
UK Equity	340.9	358.8	-0.9	–
American	244.5	257.5	+0.1	–
Pacific	341.4	359.4	+0.4	–
European	447.4	471.1	-0.3	–
International	299.0	314.9	—	–
Fixed Interest	247.0	260.1	+0.3	–
Index Linked	202.6	213.6	-0.1	–
Deposit	187.7	197.7	+0.1	–

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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

[illegible]

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	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Mngrs Intl Ltd - Contd.						
US$ Deposit Fd		$-	1.012		+0.001	2.84
Sterling Deposit Fd		£-	1.008		-0.002	4.94
French Franc Dep Fd		FFr-	10.48		----	7.88
Swiss Fr Dep		SFr-	5.120		+0.001	3.58
DM Deposit Fd		DM-	5.202		+0.001	5.71
Yen Deposit Fd		Y-	505.7		+0.1	2.01
Aust Dlr Deposit Fd		A$-	1.020		----	3.60
US Dollar Bond		$-	1.062		----	4.68
Yen Bond		Y-	632.0		-0.1	3.78
US Dollar Global Curr		$-	0.9827		----	1.00
Sterling Global Curr		£-	1.112		----	2.4
John Govett (Channel Islands) Ltd (1000)F						
6 Minden Place, Jersey 0534 39678						
Global Stock Inv Ltd (Fully Govett Positioned)						
Global High Income	5½	$10.80	10.80	10.84	+0.02	10.5
Dollar Cash	5½	$8.84	8.84	8.87	----	3.00
Japanese Small Cos	3	Y1003	1003	1016	-3	0.00
Far East Equity	5½	$17.93	17.93	18.35	+0.01	0.78
US Smaller Cos	5½	$18.72	18.72	19.20	+0.05	0.75
European Equity	5½	DM13.15	13.15	13.27	+0.05	2.00
UK High Income	5	£5.60	5.60	5.93	----	6.4
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mngrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 604614						
Stg Fixed Int	3½	£1.401	1.401	1.457	+0.004	6.06
Offshore High Yield	3½	£1.578	1.581	1.658	+0.002	8.28
Global Equity Fund	5½	$17.39	17.39	18.00	+0.01	0.00
European Equity	5½	DM21.78	21.78	23.28	-0.05	1.80
UK Growth (C Fund)	5½	£5.532	5.532	5.817	-0.001	1.30
Nth American Eqty	5½	$11.65	11.65	12.43	+0.01	0.00
Far Eastern Eqty	5½	$13.42	13.42	14.40	+0.12	0.00
International Mngd	5½	£13.98	13.98	14.85	+0.06	0.00
Intnl. Bond Fund						
Sterling Managed	3½	£12.13	12.13	12.65	+0.03	7.22
US Dollar Managed	3½	$14.22	14.22	14.84	----	5.36
International Currency Fund						
Sterling Managed	3½	£32.81	32.81	34.00	+0.05	-
US Dollar Managed	3½	$31.31	31.31	32.45	+0.01	-
Sterling	0	£20.94	20.94	20.94	+0.01	4.77
US Dollar	0	$40.30	40.30	40.30	----	1.90
Deutschmark	0	DM71.18	71.18	71.18	+0.01	5.68
Japanese Yen	0	Y5188	5188	5188	----	1.01

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 31311485						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£-	13.10	-	-0.01	-
UK Smaller Co's Eqty		£-	16.29	-	-	-
Nth American Equity		$-	10.49	-	+0.01	-
US Smaller Co's Eqty		$-	11.13	-	+0.09	-
Pacific Basin Equity		$-	12.07	-	+0.03	-
Japanese Equity		Y-	933	-	-	-
European Equity		DM-	10.22	-	+0.01	-
Bond Sub-Funds						
Sterling Fixed Int		£-	13.50	-	+0.03	-
Sterling Fixed Int Dis		£-	11.56	-	+0.02	-
European Fixed Int		DM-	11.21	-	-	-
European Fixed Int Dis		DM-	9.82	-	-	-
International Sub-Funds						
Global Equity		$-	11.29	-	+0.05	-
Global Bond		$-	12.14	-	+0.10	-
Global Bond Dis		$-	10.44	-	+0.09	-
Global Managed		$-	10.25	-	+0.04	-
Banque Scandinave a Luxembourg SA						
16 Boulevard Royal, L-2449, Luxembourg						
Scandifunds						
Scandifund Equity Fund						
Equity Intl. Acc	5	$-	17.27	17.48	-	0.17
Equity Global	5	$-	1.55	1.59	-	-
Equity Natural Res	5	$-	1.21	1.27	+0.01	-
Equity Japan Acc	5	Y-	110.06	117.38	-0.42	-
Equity UK	5	£-	1.49	1.52	-0.01	-
Equity Nordic	5	$-	1.4	1.43	-	-
Equity North America	5	$-	2.04	2.07	+0.04	-
Equity Mediterranean	5	$-	0.99	1	-	-
Equity Cont Europe	5	$-	1.60	1.69	-	-
Scandifund Far East						
Far East Global	5	$-	3.97	4.02	-	-
Scandifund Bond Fund						
Bond Intl. Acc	1	$-	12.96	13.08	-	6.04
Europe Bond Acc	1	$-	1.86	1.87	-	7.15
Bond DEM Acc	1	DM-	1.29	1.3	-	6.04
Bond USD Acc	1	$-	1.49	1.5	-	5.70
Bond Sweden Acc	1	SKr-	17.14	17.32	-	10.66

JERSEY (REGULATED)(**)

ISLE OF MAN

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Unity relief masks ERM fears

IT WAS, as they say, a game of two halves in the foreign exchange markets yesterday. The turning point between nervousness and relief was marked by the German ruling on the *Maastricht Treaty*, *writes Peter John*.

Dealers bought D-Marks first thing and sold rival currencies as a hedge against the possibility that the German constitutional court would decide that the Treaty on European Union was unconstitutional in its current form and might ask for changes.

A negative vote was expected to throw concern over the exchange rate mechanism into relief and sent European currencies except the D-Mark down sharply; any vote to reject Maastricht would have given the German authorities more freedom with economic policy.

The effect of the position taking was heightened by thin trading in the aftermath of public holidays in Japan and the US on Monday and the D-Mark rose against the Belgian Franc, the French Franc the dollar and sterling and the Lira.

Then, at midday European time, the court announced that the Maastricht Treaty on European Monetary and Economic Union was constitutional and in accord with the country's democratic principles.

The few caveats were less exacting than feared but most *of the hard hit currencies only* experienced short-lived gains.

Economists said the early selling reflected wider concerns over the European exchange rate mechanism, which were beginning to resurface and the impending court judgment was the catalyst.

Also, the D-Mark was held up by overseas buying of bunds as a shift to a variable repo increased hope that interest rates might fall soon.

Sterling was down at DM2.4385 at one stage, within a whisker of a five-month low reached at the end of September. It closed at DM2.4450, still a pfennig down on balance.

The Belgian franc hit BFr21.81 at one stage and closed barely changed at BFr21.77.

The French franc fell to a low of FFr3.5160 against the D-Mark and only recovered to FFr3.5120. It was marginally higher than Monday's close of FFr3.5140 but failed to be *ignited by positive comments* from Mr Edmond Alphandéry, the economy minister. The Italian lira hit L990.75 and clawed its way back to L986.10 against the D-Mark up from L990.20.

Most surprisingly, the dollar failed to recover gain earlier weakness. It reached a low of DM1.5935 before the judgment was given and bounced briefly to DM1.6020 afterwards. Subsequently it drifted back again to close nearly a cent lower in London at DM1.5960.

Mr Brian Hilliard at SGST, the French-owned securities house, said: "The disappointment for the dollar is that whenever there has been an opportunity for a rally – first the Russian crisis and now this – it has failed to hang on to its gains."

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct. 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.13917	-2.62	6.18	-
D-Mark	1.94964	1.90195	-2.45	5.99	-
Irish Punt	0.808628	0.811408	0.34	3.05	-2
Spanish Peseta	154.250	154.832	0.38	3.01	[illegible]
Portuguese Escudo	192.854	196.712	2.00	1.37	-13
French Franc	6.53883	6.67939	2.15	1.23	-18
Belgian Franc	40.2123	41.4245	3.01	0.36	-22
Danish Krone	7.43679	7.68976	3.40	0.00	-23

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Oct 12	Latest	Previous Close
£ Spot	1.5320 - 1.5330	1.5320 1.5330
1 month	0.37-0.35pm	0.38 0.35pm
3 months	0.95-0.93pm	0.98 0.95pm
12 months	3.12-3.07pm	3.20 3.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 12	Previous
8.30 am	80.6	81.0
9.00 am	80.5	80.9
10.00 am	80.5	80.9
11.00 am	80.5	80.9
Noon	80.5	81.0
1.00 pm	80.5	81.0
2.00 pm	80.5	81.0
3.00 pm	80.5	81.0
4.00 pm	80.5	80.9

CURRENCY RATES

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct 8

CURRENCY MOVEMENTS

Oct 12	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.5	-28.72
U.S. Dollar	64.5	-12.70
Canadian Dollar	89.8	-11.83
Austrian Schilling	116.9	+17.60
Belgian Franc	110.6	-2.36
Danish Krone	114.4	+6.49
D-Mark	127.4	+24.60
Swiss Franc	116.7	+25.69
Dutch Guilder	121.4	+23.31
French Franc	107.7	-8.10
Lira	77.8	-36.77
Yen	183.0	+123.19
Peseta	88.0	-32.82

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Oct 8

OTHER CURRENCIES

Oct 12	£	$
Argentina	1.5300 - 1.5310	0.9990 - 0.9995
Australia	2.3145 - 2.3165	1.5110 - 1.5120
Brazil	218.385 - 218.400	142.550 - 142.560
Finland	8.6930 - 8.7235	5.6765 - 5.6945
Greece	356.200 - 357.200	232.600 - 236.100
Hong Kong	11.8345 - 11.8365	7.7250 - 7.7260
Iran	2425.15 - 2428.25	1583.00 - 1585.00
Korea(Sth)	1241.70 - 1242.00	810.60 - 810.70
Kuwait	0.45690 - 0.45845	0.29825 - 0.29925
Luxembourg	53.20 - 53.30	34.70 - 34.80
Malaysia	3.8940 - 3.8955	2.5420 - 2.5430
Mexico	4.7685 - 4.7715	3.1125 - 3.1145
N.Zealand	2.7730 - 2.7765	1.8100 - 1.8100
Saudi Ar	5.7460 - 5.7470	3.7505 - 3.7515
Singapore	2.3950 - 2.3965	1.5635 - 1.5645
S.Af (Cm)	5.2440 - 5.2515	3.4230 - 3.4280
S.Af (Fn)	6.4115 - 6.4265	4.1850 - 4.1950
Taiwan	41.05 - 41.20	26.80 - 26.90
U.A.E.	5.6265 - 5.6275	3.6725 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.60-1.75pm. 12 Month 3.22-3.12pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	6¼ - 6	[illegible]
Swiss Franc	4¾ - 4⅝	4¾ - 4⅝	4⅞ - 4¾	4¾ - 4½	4⅝ - 4½	4½ - 4⅜
D-Mark	6¾ - 6⅝	6¹³⁄₁₆ - 6¹¹⁄₁₆	6¹³⁄₁₆ - 6¹¹⁄₁₆	6¾ - 6⅝	[illegible]	6 - 5⅞
French Franc	7¼ - 7⅛	7¼ - 7⅛	7¼ - 7⅛	7⅛ - 7	[illegible]	6⅝ - 6½
Italian Lira	10 - 8	9¼ - 8¾	9¼ - 8¾	9 - 8½	8¾ - 8¼	8½ - 8⅛
Belgian Franc	9¼ - 9⅛	9¼ - 9⅛	9⅛ - 9	9⅛ - 9	9¼ - 8¾	8⅛ - 7¾
Yen	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2½ - 2⅜	2½ - 2⅜	2½ - 2⅜
Danish Krone	9½ - 8½	9½ - 8½	9⅛ - 8⅝	9 - 8½	8¾ - 8¼	7⅞ - 7⅜
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼
Spanish Peseta	10¾ - 10¼	10¾ - 10¼	10¾ - 10¼	10⅛ - 9⅝	9¹³⁄₁₆ - 9⁹⁄₁₆	9¼ - 9
Portuguese Esc.	12½ - 12	12¼ - 11¾	12 - 11½	11¾ - 11¼	11¼ - 10¾	10⅝ - 10⅛

Long term Eurodollars: two years 4-3⅞ per cent; three years 4⅞-4¼ per cent; four years 4¹¹⁄₁₆-4½ per cent; five years 4¹³⁄₁₆-4¹¹⁄₁₆ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.532	2.445	162.2	8.587	2.145	2.750	2411	2.040	53.26	198.9	1.291
$	0.653	1	1.596	105.9	5.605	1.400	1.795	1574	1.332	34.76	129.8	0.843
DM	0.409	0.627	1	66.34	3.512	0.877	1.125	986.1	0.834	21.78	81.35	0.528
YEN	6.165	9.445	15.07	1000.	52.94	13.22	16.95	14864	12.58	328.3	1226	7.959
F Fr.	1.165	1.784	2.847	188.9	10.	2.498	3.203	2808	2.376	62.01	231.6	1.503
S Fr.	0.466	0.714	1.140	75.62	4.003	1	1.282	1124	0.951	24.83	92.73	0.602
N Fl.	0.364	0.557	0.889	58.98	3.123	0.780	1	876.7	0.742	19.36	72.33	0.469
Lira	0.415	0.635	1.014	67.27	3.562	0.890	1.141	1000.	0.846	22.09	82.50	0.535
C $	0.490	0.751	1.199	79.51	4.209	1.051	1.348	1182	1	26.10	97.50	0.633
B Fr.	1.878	2.877	4.592	304.6	16.13	4.028	5.164	4528	3.831	100.	373.5	2.424
Pta	0.503	0.770	1.229	81.55	4.317	1.078	1.383	1212	1.026	26.77	100.	0.649
Ecu	0.775	1.187	1.894	125.6	6.651	1.662	2.130	1868	1.580	41.25	154.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

	Open	High	Low	Prev.
Dec	3119.0	3142.0	3112.0	3128.0
Mar	3138.5	3146.0	3142.0	3145.0
Jun	3148.0			3167.0

Estimated volume 12046 (8279)
Previous day's open int. 58829 (58346)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls November	Calls December	Calls March	Puts November	Puts December	Puts March
122	-	-	-	0.02	0.10	0.07
123	-	1.42	-	0.06	0.25	-
124	0.45	0.75	-	0.28	0.59	-
125	0.10	0.33	3.65	-	1.16	0.37
126	-	0.11	-	-	-	0.52
Open int	29,950	164,803	53,158	23,080	166,232	47,943

Estimated volume 41,318 † Total Open Interest 518,478
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5320	1.5283	1.5224	1.5143	1.5003

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Rea Brothers	6
Allied Trust Bank	6	Duncan Lawrie	6	*Roxburghe Bank Ltd	6
AIB Bank	6	Exeter Bank Limited	7	* (in administration)	
●Henry Ansbacher	6	Financial & Gen Bank	7	Royal Bk of Scotland	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	●Smith & Williamson Secs.	6
Bank of Baroda	6	Girobank	6	Standard Chartered	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	TSB	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	●United Bk of Kuwait	6
Bank of Ireland	6	●Hambros Bank	6	Unity Trust Bank Plc	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Western Trust	6
Bank of Scotland	6	●Hill Samuel	6	Whiteaway Laidlaw	6
Barclays Bank	6	C. Hoare & Co	6	Wimbledon & Sth West	7
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Yorkshire Bank	6
●Brown Shipley	6	Julian Hodge Bank	6		
CL Bank Nederland	6	●Leopold Joseph & Sons	6		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	Mount Banking	6		
Coutts & Co	6	NatWestminster	6		
Credit Lyonnais	6	Nykredit Mortgage Bnk	6.5		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Cash futures jump

GERMAN, French and UK financial futures contracts jumped higher for the first time in two weeks reflecting hope that lower interest rates might be back on the agenda, *writes Peter John*.

The most heavily traded contracts for three-month money, those expiring in December, all broke through recent trading ranges.

In the case of Germany, a decision by the Bundesbank to move from a fixed 14-day repurchase agreement to a variable repo prompted hopes that the Bundesbank might be about to ease rates.

Liquidity is tight in Germany at the moment so the rate is likely to remain at least at 6.7 per cent but could fall next week. German cash futures rose 6 basis points to 93.79 with 44,000 contracts traded.

Three-month franc futures traded on Liffe responded to comments by Mr Edmond Alphandéry, the French minister for the economy, that he saw signs of growth in French economy. His remarks were taken as an indication that French officials might be taking a softer line on monetary policy. The French December contract leapt some 14 basis points by the official close and was trading at 93.44 later.

The break-out for short sterling, on the other hand, gave rise to some surprise in the money markets. The December contract has been stuck in a tight range between 94.34 and 94.38 for a fortnight with few dealers prepared to buy or sell and turnover lingering just above 10,000. Yesterday saw the volume for December leap to more than 52,000 as the price lifted 9 basis points to 94.46 with no obvious spur driving it forward.

Some dealers suggested that a second assessment of Monday's economic data on the trade gap and producer prices had led to a more optimistic view on lower interest rates. However, most sterling observers are looking towards today's retail prices index data.

A more plausible view appeared to be that a slight rise triggered a bout of stop-loss buying, trading based on a contract hitting a pre-determined level. That slight early gain was set off by easier than expected conditions in the money markets.

At the start of the day's dealings the Bank of England forecast a liquidity shortage of £1bn but most of that shortage was taken out when the Bank bought £750m of bills at 5²⁹⁄₃₂ per cent followed by a further £150m at 5⅞ per cent. The forecast was later revised to £1.1bn and an additional £214m of help provided which brought total assistance to £1.114bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 12)	3 months US dollars		6 months US Dollars	
	bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

		Treasury Bills and Bonds			
Lunchtime		One month	3.02	Three year	4.03
Prime rate	6	Two month	3.05	Five year	4.61
Broker loan rate	[illegible]	Three month	3.05	Seven year	4.78
Fed.funds	3	Six month	3.18	10-year	5.22
Fed.funds at intervention	3	One year	3.32	30-year	5.88
		Two year	3.77		

Oct 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]-6.65	6.65-6.60	6.60-6.70	6.35-6.45	7.25
Paris	[illegible]	[illegible]-7.40	-	7.13-7.33	-	6.75
Zurich	[illegible]	[illegible]-4¹¹⁄₁₆	-	4½-4⅝	-	-
Amsterdam	[illegible]	[illegible]-6.48	-	6.30-6.38	-	-
Tokyo	[illegible]	-	-	-	-	-
Milan	[illegible]	[illegible]-9¹⁄₁₆	-	8⅞-8¹³⁄₁₆	-	-
Brussels	[illegible]	[illegible]-9⅛	-	9½-9⅝	-	-
Dublin	[illegible]	[illegible]-7¹⁄₁₆	6⅞-7	6⅞-7	6⅝-6¼	-

LONDON MONEY RATES

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; six months 5⅞ per cent; Bank Bills (sell): one-month 5¹⁵⁄₃₂ per cent; three months 5⅞ per cent. Treasury Bills: Average tender rate of discount 5.2648 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1993. Agreed rates for period Oct 26, 1993 to Nov 25, 1993 Scheme II & III: 7.22 p.c. Reference rate for period Sept 1, 1993 to Sept 30, 1993, Scheme IV & V: 6.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from October 1, 1993. Bank Deposit Rates for sums at seven days' notice 2¼ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ p.c.; one-three months 5 p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4¾ p.c.; Under £100,000 2¼ p.c. from Jan.27, 1993, Deposits withdrawn for cash 1½ p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

BELGIUM/LUXEMBOURG

SWITZERLAND

DENMARK

NORWAY

FINLAND

SPAIN

ITALY

SOUTH AFRICA

JAPAN

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close October 12

MONTREAL

4 pm close October 12

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

TOKYO - Most Active Stocks

Tuesday, October 12, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy	5.8m	693	+4	Sanwa Bank Ltd	1.9m	2,320	+90
Fujitsu Ltd	3.9m	861		Mitsubishi Motor	1.8m	840	+1
Nippon Steel	2.7m	333	-6	NKK Corp	1.8m	277	+4
Showa Denko	2.6m	332	+15	Showa Shell	1.6m	1,240	-20
Bando Chem Ind	2.2m	698	+6	Isuzu Motor	1.5m	403	-14

3:45 pm October 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	675	122	13½	13⅜	13½	
29⅜	13¾	A L Labs A	0.18	1.0	36	557	18⅝	17⅞	18	+⅛
67¼	54⅝	AMP Inc	1.60	2.5	22	462	65	64¾	64¾	-⅛
72¾	55½	AMR			16	2581	65⅛	64⅜	64⅝	+⅛
3⅞	1¾	ARX			14	258	u3⅞	3¾	3¾	-⅛
51½	29⅞	ASA	2.00	4.3	31	1516	47⅛	45⅞	47	+1⅛
30¾	22⅝	Abbott Lab	0.68	2.5	16	6806	27½	26¾	26⅞	
12⅝	8¼	Abitibi Pr	0.50	6.0	3	2	8⅜	8⅜	8⅜	-⅛
15⅜	8¼	Acptocsin			47	46	15¼	15	15⅛	-⅛
35	25½	ACE Ltd	0.92	2.8		237	33⅜	33⅛	33⅛	
12	10¾	ACM Gvt In	0.96	8.4		210	11⅜	11¼	11⅜	
10	9⅛	ACM GvOpp x	0.80	8.0		170	u10	9⅞	10	
9⅞	8¾	ACM Gvt Sp x	0.80	8.3		156	9¾	9⅝	9⅝	
11⅝	10½	ACM Gvt Sn x	0.96	8.3		199	11½	11⅜	11½	
11⅝	9⅝	ACM Man x	1.08	9.3		66	u11⅝	11½	11⅝	+⅛
9⅞	8⅝	ACM Managd x	0.72	7.8		107	9¼	9⅛	9¼	
12⅜	7¾	Acme Cleve	0.44	4.6	12	13	9⅝	9½	9⅝	+⅛
9¼	6⅜	Acme Elect			51	50	7⅜	7¼	7¼	
27⅝	18⅜	Acordia	0.44	1.7	15	28	25¾	25¾	25¾	-⅛
16	10⅜	Acuson			33	550	12⅜	12⅛	12⅛	-¼
21¾	18¼	Adams Expr	0.48	2.5	0	105	19	18⅞	18⅞	
66¼	45½	Ad Micro	3.00	6.0		161	50¾	50⅛	50¼	+⅛
32¾	17⅝	Ad Micro P	3.00	14.6	7	11867	20¾	20⅜	20½	+⅜
7¾	5½	Advest Grp	0.16	2.2	12	76	7⅛	7	7⅛	
24¾	14¾	Advo Inc	0.08	0.5	16	212	14¾	14⅜	14¾	+⅛
[illegible]										

- A -

- B -

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Continued on next page

3:45 pm October 12

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt x	1.36	7.1	17	27	19⅜	19⅛	19¼	-⅛
20¾	14⅞	SCOR US Cp	0.32	1.9	207	155	16¾	16⅝	16⅝	
29¾	20	SPS Techno	1.28	4.3	21	62	29½	28⅞	29½	+⅛
15¾	12⅞	Sabine Rt x	1.74	11.4	10	162	u15⅜	15⅛	15¼	+⅛
14	8⅝	Safecard	0.20	1.4	13	846	u14	13⅝	13⅞	+¼
23½	16⅞	Safeg'd Sc			10	52	22⅛	21⅞	22⅛	
24¾	14⅛	SafetyKln	0.36	2.5	22	3292	14½	14¼	14⅜	-⅛
20½	10⅞	Safeway			25	5598	u20⅞	20¼	20¾	+½
4⅝	2	SafewayW95				855	u4⅞	4½	4⅝	+¼
55	37½	StJoePaper	0.20	0.4	144	45	49½	48¾	49⅛	+½
37⅞	31	StJosL&P	1.76	4.9	14	9	36	35⅞	36	
94	75	St Paul's	2.80	3.1	14	409	91⅝	90¼	90⅜	-1¼
11⅝	7½	Salant Crp			4	148	8¼	8	8⅛	+⅛
75¼	39⅞	Sallie Mae	1.20	2.5	10	1648	47½	47	47½	+½
14¼	13	Salomon Br	0.32	2.3		161	13⅞	13¾	13¾	-⅛
51⅞	34	SalomonInc	0.64	1.3	12	2333	49¼	48⅛	49¼	+1⅛
27¾	23¼	SanDgo G&E	1.48	5.7	14	352	26⅛	25½	26	-¼
5	3½	SantaFeEDu	0.40	8.2	48	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeERs	0.16	1.6	500	1046	10⅛	10	10	
40¾	35¾	SantaFePac	2.80	7.3	13	45	38⅝	38½	38½	-⅛
19⅜	12¾	SantaFPac	0.10	0.5	12	3673	u19½	19	19½	+¼
31⅛	21	Sara Lee	0.58	2.3	18	5714	25½	25⅛	25½	+⅜
51⅞	40⅛	Scana Corp	2.74	5.4	16	490	50⅞	50¾	50⅞	+⅛
25¾	21½	Scecorp	1.42	6.5	13	8043	22½	21⅝	21¾	-⅝
35⅞	23⅞	SchererRP			26	182	33	32½	32½	

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

3:45 pm October 12

AMEX COMPOSITE PRICES

3:30 pm October 12

AMERICA

Dow slightly better on good earnings reports

Wall Street

US blue chip stocks traded only marginally higher yesterday morning in spite of lower bond yields and some strong third quarter earnings reports from corporations, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 3.63 at 3,597.04. The more broadly based Standard & Poor's 500 was 0.94 higher at 461.82, while the Amex composite was 2.74 firmer at 470.33, and the Nasdaq composite up 4.76 at a robust 772.41. Trading volume on the NYSE was 155m shares by 1 pm.

The stage was set for some early gains when trading in New York opened, but they never really materialised. Although overseas markets were weaker overnight, analysts still felt that conditions were right for a bullish market yesterday.

They believed that sentiment would strengthen after Monday's modest advances in stock prices, that the morning decline in long bond yields to an all-time low of under 5.9 per cent, and that a series of better-than-expected third quarter corporate earnings reports would all boost demand for stocks.

However, after breaking through 3,600 in the early part of the session, the Dow fell back quickly as buying petered out; and by early afternoon, prices were virtually back where they started, although secondary stocks traded on the Nasdaq market remained strong, rising to new highs.

Among individual stocks, brokerage issues were in demand after three of Wall Street's biggest securities firms – Merrill Lynch, PaineWebber and Bear Stearns – all reported record or near-record quarterly earnings that exceeded analysts' expectations. The news lifted Merrill above $100 for the first time, and it came as no surprise when it announced plans for a two-for-one stock split. By early afternoon Merrill shares were trading up $2½ at $101¼, PaineWebber up $1¼ at $34¾, and Bear Stearns up $1¼ at $25¾. Also higher were Morgan Stanley, up $3¾ at $88, Primerica (owner of brokerage house Smith Barney Shearson), $1¼ higher at $47¾, and Salomon, up $⅛ at $48⅞.

Strong earnings from Motorola, which reported third quarter net income of 92 cents a share, well above analysts' estimates, lifted the technology sector. Motorola firmed $4⅞ to $103⅞, fellow semiconductor stock Texas Instruments added $2⅞ at $67⅞, and Compaq put on $1 at $61.

On the Nasdaq market, Wellfleet jumped $4⅞ to $51⅞ in volume of 2.9m shares after reporting a more than doubling in first quarter net income to 36 cents a share.

Centocor climbed $2¼ to $13¾ in busy trading after the company said tests showed that its Panorex antibody cut the cancer death rate by 30 per cent after five years.

Intel, which fell sharply last week on disappointing (if still strong) earnings, rebounded $1¼ to $66⅞, aided by the good news from Motorola.

Canada

TORONTO continued to advance at midday, led by precious metals and consumer products shares. The TSE-300 index was 17.09 higher at noon in turnover of C$265.4m.

Placer Dome gained C$1¼ to C$29⅞ and American Barrick was C$1½ higher at C$33⅛. Franco-Nevada traded unchanged at C$98½ after posting second quarter earnings of 62 cents a share.

EUROPE

Frankfurt slips gently below 2,000 level

ACTIVITY was muted yesterday in many of the senior bourses, *writes Our Markets Staff.*

FRANKFURT slipped below 2,000 again, the DAX index closing 12.41 lower at 1,998.61 in what was described as a much needed consolidation after five consecutive record highs.

Turnover fell from DM8.5bn to DM5.6bn. Most blue chips fell by 1 per cent or more but there was resistance at the top of the market where Daimler rose 50 pfg to DM741.50, Volkswagen by DM2.50 to DM376. Deutsche Bank was just pfg 60 lower at DM741.50 and Siemens fell DM3.50 to DM709.50.

The pharmaceuticals company, Schering, saw more profit-taking as it fell DM22 to DM1,019; and the chemicals group, Hoechst, had a similar slip, dropping DM6 to DM285.50 as analysts continued to say that the bid for 51 per cent of the US generic drug maker, Copley Pharmaceutical, looked expensive.

The biggest blue chip loser was the tyremaker, Continental, down DM6.40, or 2.8 per cent to DM225.60 after a MM Warburg Investment Research report forecasting a savage drop in 1993 net profits.

PARIS remained a seller of Eurotunnel with the shares losing a further 7.4 per cent as the shares slipped FFr3.10 to FFr39.00. The market is expecting a rights issue from the group, probably at the start of next year.

The CAC-40 index lost 11.87 to 2,126.85 in turnover of FFr2.8bn.

Further rumours swept around Euro Disney as the stock lost FFr1.55 to FFr50.35, while, among the gainers SocGen put on FFr9 to FFr698.

Trading in both Suez and UAP was suspended in preparation for an announcement, long heralded, on Groupe Victoire.

MILAN turned its attention to the savings shares of privatisation candidates after Credito Italiano and BCI announced share exchange schemes late on Monday. The broader market, however, was unable to make progress and the Comit index shed 4.81 to 579.94.

News that Mr Paolo Savona, the industry minister, had withdrawn his resignation, submitted after a row about the privatisation programme, failed to impress investors. One analyst commented: "The government's cohesion has been damaged by this episode and the questions that it raised about the privatisation programme have not gone away".

BCI's ordinary shares lost L132 to at L4,466 while savings shares soared L425 to L4,070. Credito Italiano ordinary shares fell L163 to L2,315 but savings shares gained L205 to at L1,995.

The switch into savings shares was also evident among other companies slated for privatisation as investors thought that they might follow the same course. Sip savings shares added L74 to L2,890 while the ordinary shares fall L124 to L3,426.

Fiat 's L3,234bn rights issue, scheduled to begin on Friday, continued to weigh heavily on the market. Fiat shed L117 to L5,710: at a meeting with analysts on Monday, the group stressed cost cutting measures already introduced while yesterday, it announced temporary lay-offs of between 13,450 and 38,250 workers in November.

ZURICH turned back from its best levels of the day as banking and insurance issues ran into profit-taking. The SMI index finished 4.0 higher at a record 2,552.5 after an intraday high of 2,565.9.

Roche certificates, SFr40 higher at SFr5,450, and CS Holdings, SFr25 ahead at SFr3,175, headed the active list. Zurich Insurance ended SFr1 lower at SFr1,348 amid reports that one small Zurich bank was swapping Zurich shares for CS Holding.

Ciba-Geigy registered shares rose SFr3 to SFr720 ahead of results today which analysts expect to show a small fall in turnover.

Swissair fell SFr15 to SFr720 as officials met executives from the other three airlines involved in the Alcazar alliance project.

AMSTERDAM was supported slightly by dollar strength and the CBS Tendency index added 0.3 to 128.7. Among the internationals Unilever rose Fl 2.10 to Fl 200.70.

STOCKHOLM remained firm helped by foreign interest in Astra and Ericsson. The Affärsvärlden general index rose 11.0 to 1,363.8, in turnover of SKr1.4bn.

Ericsson B's added SKr2 to SKr434 helped by news that it had been awarded a SKr1bn order to supply a mobile telephone network in Malaysia.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

October 12 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1315.41	1313.79	1313.76	1315.35	1314.61	1316.03	1315.15	1315.91
FT-SE Eurotrack 200	1396.01	1394.28	1395.07	1393.19	1392.68	1393.47	1393.55	1393.81

	Oct 11	Oct 8	Oct 7	Oct 6	Oct 5
FT-SE Eurotrack 100	1319.96	1321.16	1317.76	1321.84	1313.91
FT-SE Eurotrack 200	1401.02	1405.48	1401.97	1403.39	1391.47

Base value 1000 (26/10/90) High/day: 100 - 1316.28; 200 - 1396.35 Low/day: 100 - 1313.16 200 - 1392.09.

Hong Kong climbs on a wall of US money

Simon Davies describes a contradictory couple of weeks for the equity market

The Hong Kong stock market has acted in direct contrast to Sino-British talks over the colony's political future in recent weeks, as a wall of US money has flooded out local political and economic concerns.

Since September 27, the Hang Seng index has risen by 801, or 10.8 per cent, to 8,253.45 in the face of a chain of seemingly negative news. Beijing lost its bid for the 2,000 Olympics; the New York meeting between the British and Chinese foreign ministers achieved nothing; and Governor Chris Patten has shown no signs of withdrawing his political proposals in the face of continuing Chinese opposition.

The reason for the disparity between local sentiment and the market performance has been US mutual fund cash, and the growing assumption that politics will do nothing to hurt the local economy.

A fortnight ago Mr Barton Biggs, Morgan Stanley's director of global strategy, wrote: "After eight days in China, I'm tuned in, over-fed and maximum bullish." He made no reference whatsoever to politics and advised a substantial increase in Hong Kong weightings. US fund managers have responded accordingly.

With its currency pegged to the US dollar, Hong Kong is seen as representing an attractive option for cash rich US fund managers looking for high growth, low valuations and limited currency risk.

Based on Goldman Sachs forecasts, the Hang Seng index is trading on a 1993 price earnings ratio of 15.2 and a 1994 p/e of 13, in spite of its 50 per cent increase this year. By comparison, one of Asia's cheaper markets, Thailand, is on 1993 and 1994 p/e's of 23.4, and 19 respectively. The colony was previously deemed to be too much of a political risk, because of Beijing; but as attitudes towards Chinese economic trends have changed, so has the international perception of the stock market.

Mrs Janice Wallace, research director at Goldman Sachs Hong Kong, says: "I'm just overwhelmed by the liquidity flows. Obviously it can't go on forever, but I can't see what the trigger will be".

There are a number of such potential triggers. Concern remains over whether China's austerity programme could take some of the strength out of the local economy.

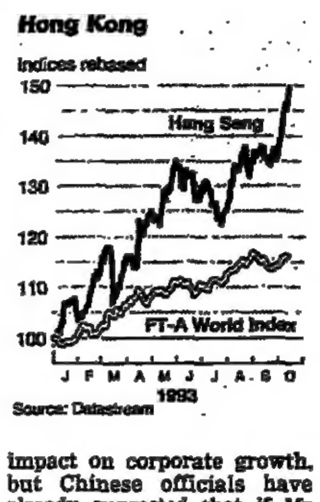
In the near-term, politics appears a more likely challenge to the US bulls. On November 11, Mr Patten will visit the UK for what is likely to be a final consultation with the UK government before proceeding with his proposals for political reform, thereby putting an end to hopes for compromise with China.

The stock market is suggesting that politics will not impact on corporate growth, but Chinese officials have already suggested that if Mr Patten goes ahead with his proposals, the economy could suffer; this provides potential for substantial mood swings. Other blows could be dealt by the death of the ageing Chinese patriarch, Deng Xiaoping, or signs that the US may revoke China's MFN status or impose specific trade tariffs as a means of extracting improved human rights and a more open economy.

On the more positive side, China has still retained the two business trump cards of its approval for Hong Kong's new airport, or its postponed Container Terminal 9. Either card would give greater credence to the view that China will not let politics hurt Hong Kong's economy, and would boost the stock market. But Beijing has given no sign that such a gesture will be forthcoming.

Analysts claim that much of the new money is coming into Hong Kong on the basis that, in 45 months, it will be part of the fastest growing major economy in the world – and that on a long-term view, this will outweigh any immediate concerns such as worsening Sino-British relations.

Mr Han Ong, managing director of Warburg Asset Management Hong Kong, says that it is difficult to maintain caution in the face of this inflow of funds. "You can sit back and say there are any number of worries from a fundamental point of view. But it is another thing to stand in the middle of the road, say I'm right, and get run over by the juggernaut".



Source: Datastream

ASIA PACIFIC

Nikkei falls 1.2% in an otherwise strong region

Tokyo

SHARE prices tumbled in post holiday trading as selling hit component stocks of the Nikkei 225 which had failed to be included into the new Nikkei 300 index, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 fell 241.33, or 1.2 per cent, to 20,137.31, having opened at the day's high of 20,376.34 before tumbling to the day's low of 20,116.71. Details of the new index were announced last Friday, but investors had been unable to adjust positions on Monday because of a national holiday. Volume was 226m shares against 318m.

Traders said that the gap between the Nikkei and Topix index was widening as investors tried to shift from positions based on the Nikkei 225 to the Nikkei 300. In contrast to the drop in the Nikkei, the Topix index, which is a capitalisation weighted index of 1,233 stocks, only lost 4.14 to 1,652.26. In London the ISE/Nikkei 50 index rose 1.24 to 1,283.66. Declines led advances by 643 to 347, with 171 issues remaining unchanged.

The Osaka securities exchange is expected to list a new futures contract based on the Nikkei 300 in January and traders said that index-related selling was likely to continue for the rest of the week.

However, traders said that it was too early to forecast if the Nikkei 300 would become a new benchmark for the market, replacing the Nikkei 225. Mr Chris Newton at James Capel said that the Topix index was becoming the widely accepted index among many market participants.

Of the components of the Nikkei 225, 70 issues were not adopted for the new capitalisation weighted index. Keisei Electric Railway fell Y50 to Y1,150, Takara Shuzo lost Y30 to Y730, Hitachi Zosen fell Y18 to Y571, Japan Airlines declined Y21 to Y723, and KDD retreated Y200 to Y12,400.

On the other hand, stocks included in the Nikkei 300 gained ground, with Chudenko rising Y80 to Y4,150 and Takashimaya advancing Y10 to Y1,260.

Bando Chemical rose Y6 to Y688 on its development of a special chemical used in copying machines which removes toner from paper.

In Osaka, the OSE average fell 29.51 to 22,344.55 in volume of 11.9m shares.

Roundup

MANY Pacific Rim markets continued on their record setting ways.

SINGAPORE saw demand blue chips push equities to a record closing high in choppy trading. The Straits Times Industrial index added 4.90 to 2,051.47 after an intraday peak of 2,062.33.

Analysts noted that foreign institutions are currently increasing their weightings in a market whose capitalisation will be increased by at least 25 per cent, from the current S$140bn, by the listing of Singapore Telecom on November 1.

KUALA LUMPUR saw a surge in the shares of Telekom Malaysia and Tenaga Nasional which drove the composite index through the 900 mark. The index closed up 10.56 at a record 905.71, after an intraday peak of 912.74. Telekom and Tenaga Nasional firmed M$1.10 and 30 cents respectively to M$18.60 and M$12.10.

MANILA was propelled to another record close by the strong showing of PDLT, again building on its Wall Street performance. The composite index rose 67.30 to 2,093.83.

Strong foreign demand took PLDT 145 pesos higher to 1,665 pesos.

NEW ZEALAND built on a strong overnight performance by Telecom in New York and the NZSE-40 capital share index closed 29.7, or 1.48 per cent higher at 2,039.78, its highest close since December of 1989. Telecom added 17 cents to a record close of NZ$4.40.

TAIWAN closed higher in active trade after Monday's holiday. The composite index ended 56.59, or 1.5 per cent higher at its intra-day high of 3,942.25.

SEOUL edged higher in moderate trading and the composite index added 1.48 to 723.57 as turnover climbed to Won553.8m from Monday's Won396.7m. Brokers said that the market remained unaffected by the day's deadline for identifying false-name financial accounts.

AUSTRALIA ended its nine-day rally as profit-taking left the All Ordinaries index 11.8 lower at 2,028.0

BANGKOK succumbed to profit-taking triggered by heavy sales of Bangkok Bank and some other large capitalisation issues, reversing an eight day bull run which saw the market rise 16.3 per cent.

The SET index fell 21.78 or 1.9 per cent to 1,101.96 in turnover of Bt16.12bn.

Bangkok Bank shed Bt5 to Bt148.

SOUTH AFRICA

GOLD shares came under pressure on profit-taking and the index shed 29 or 1.7 per cent, to 1,695 while the industrial index added 15 to 4,528. The overall index lost 3 to 3,906. De Beers ended 25 cents higher at R83.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 11 1993								FRIDAY OCTOBER 8 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	152.33	+1.0	147.51	102.31	127.03	153.34	+0.7	3.37	150.76	145.52	100.54	125.72	152.26	152.33	117.39	123.18
Austria (17)	180.72	+1.4	175.01	121.38	150.71	150.63	+1.4	1.05	178.19	171.99	118.83	148.59	148.48	180.72	131.16	151.53
Belgium (42)	153.15	+0.1	148.30	102.86	127.71	131.81	+0.2	4.37	153.05	147.73	102.06	127.63	131.53	156.76	131.19	140.52
Canada (107)	124.77	+0.2	120.82	83.79	104.04	120.16	+0.0	2.82	124.58	120.25	83.08	103.88	120.16	130.38	111.41	114.30
Denmark (32)	236.78	+0.2	229.30	159.03	197.46	209.25	+0.0	1.08	236.42	228.20	157.67	197.15	209.33	236.78	185.11	194.50
Finland (23)	119.51	+0.1	115.73	80.27	99.66	143.46	−0.1	0.72	119.33	115.18	79.58	99.51	143.59	119.51	65.50	56.20
France (97)	171.61	−0.8	166.19	115.25	143.10	151.69	−0.7	3.04	173.05	167.04	115.40	144.30	152.76	173.05	142.72	147.14
Germany (60)	136.07	+0.4	131.76	91.40	113.46	113.46	+0.4	1.86	135.56	130.85	90.42	113.05	113.05	136.07	101.59	107.02
Hong Kong (55)	325.74	+2.6	315.44	218.77	271.65	323.04	+2.6	3.16	317.38	306.35	211.66	264.68	314.80	325.74	218.82	238.16
Ireland (14)	173.53	+0.2	168.05	116.56	144.71	167.25	+0.5	3.35	173.17	167.15	115.48	144.41	166.44	173.99	129.28	138.59
Italy (70)	72.00	−1.2	69.72	48.35	60.04	85.36	−1.2	1.90	72.90	70.37	48.62	60.79	86.41	78.93	53.78	53.77
Japan (469)	155.11	−0.7	150.20	104.17	129.36	104.17	+0.0	0.79	156.21	150.78	104.17	130.28	104.17	165.91	100.75	108.02
Malaysia (69)	450.92	+1.8	436.67	302.84	376.02	441.37	+1.9	1.57	442.83	427.43	295.30	369.27	433.28	450.92	251.68	249.34
Mexico (19)	1686.79	+0.8	1633.45	1132.89	1406.64	5741.15	+0.7	0.86	1674.01	1615.80	1116.37	1395.96	5699.48	1771.56	1410.30	1307.79
Netherland (24)	192.09	+0.2	186.02	129.01	160.19	158.25	+0.2	3.48	191.81	185.14	127.91	159.95	157.88	192.08	150.39	160.80
New Zealand (13)	62.38	−0.3	60.40	41.90	52.02	59.93	−0.4	3.72	62.54	60.37	41.71	52.16	60.19	62.98	40.56	39.34
Norway (23)	181.01	−0.1	175.29	121.57	150.95	172.53	−0.2	1.48	181.25	174.95	120.88	151.15	172.89	181.25	137.71	136.04
Singapore (38)	313.01	+1.6	303.12	210.23	261.02	226.11	+1.6	1.49	308.11	297.40	205.48	256.94	222.64	313.01	207.04	184.15
South Africa (60)	214.60	+1.5	207.82	144.13	178.96	195.95	+1.2	2.68	211.44	204.08	141.00	176.32	193.64	215.29	144.72	153.00
Spain (42)	141.88	+0.9	137.39	95.29	118.31	140.32	+0.9	4.07	140.63	135.74	93.79	117.28	139.09	141.88	115.23	112.35
Sweden (36)	199.44	+0.9	193.13	133.95	166.32	235.02	+0.5	1.44	197.57	190.70	131.76	164.76	233.91	199.44	149.70	153.18
Switzerland (50)	145.64	+0.4	141.04	97.82	121.47	127.13	+0.6	1.71	145.10	140.06	96.77	121.02	126.44	145.64	108.91	114.93
United Kingdom (218)	192.97	−0.5	186.87	129.59	160.91	186.87	−0.2	3.83	193.97	187.22	129.34	161.74	187.22	193.97	162.00	172.50
USA (518)	188.29	+0.1	182.34	126.47	157.03	188.29	+0.1	2.73	188.04	181.50	125.41	156.82	188.04	188.40	175.38	166.45
Europe (748)	162.64	−0.2	157.49	109.23	135.63	150.43	+0.0	3.00	162.97	157.30	108.68	135.91	150.50	162.97	133.92	137.03
Nordic (114)	188.61	+0.6	182.65	126.68	157.29	192.64	+0.2	1.27	187.50	180.98	125.04	156.36	192.18	188.61	142.13	142.66
Pacific Basin (713)	161.20	−0.4	156.10	108.27	134.43	112.70	+0.2	1.06	161.83	156.20	107.92	134.95	112.45	168.80	105.89	112.44
Euro-Pacific (1461)	161.68	−0.3	156.57	108.58	134.82	127.97	+0.1	1.86	162.19	156.55	108.15	135.24	127.83	162.86	117.26	122.39
North America (625)	184.35	+0.1	178.52	123.83	153.76	183.66	+0.1	2.73	184.10	177.70	122.79	153.55	183.42	185.59	171.51	163.21
Europe Ex. UK (530)	143.14	+0.0	138.62	96.16	119.40	129.11	+0.0	2.46	143.14	138.16	95.48	119.39	129.05	143.14	112.51	115.80
Pacific Ex. Japan (244)	220.74	+1.8	213.76	148.27	184.09	204.48	+1.7	2.82	216.83	209.29	144.62	180.84	201.08	220.74	152.70	155.79
World Ex. US (1647)	161.93	−0.3	156.81	108.76	135.04	129.91	+0.1	1.89	162.35	156.70	108.27	135.39	129.74	162.89	118.51	123.12
World Ex. UK (1947)	167.45	−0.1	162.15	112.47	139.65	144.22	+0.2	2.02	167.57	161.74	111.75	139.75	143.98	168.50	134.22	133.41
World Ex. So. Af. (2105)	169.49	−0.1	164.13	113.85	141.38	147.62	+0.1	2.19	169.71	163.81	113.19	141.54	147.44	170.43	137.29	136.79
World Ex. Japan (1696)	179.39	+0.1	173.71	120.48	149.62	173.01	+0.2	2.81	179.12	172.89	119.47	149.40	172.69	179.39	157.47	153.33
The World Index (2165)	169.69	−0.1	164.33	113.97	141.52	148.06	+0.1	2.20	169.89	163.98	113.30	141.68	147.87	170.42	137.32	136.60

Latest prices were unavailable for this edition. Markets closed October 11: Canada and Japan.